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ABSTRACT

The third phase of SISFAP (Study on the Impact of Student Financial Aid Programs), the primary purpose of this study is to evaluate federal and institutional management policies and practices for Basic Educational Opportunity Grant (BEOG) and campus-based programs as they impact on the extent to which the programs are meeting their legislative goals. Reported are some preliminary activities of the study of program management procedures, which consisted of the analysis of existing (i.e., secondary source) data and the development of a complete research design for Stage II data collection and analysis. Tasks involved included: searching all available literature to uncover prior research related to the study; documentation of potentially usable data files; development of plans for data analysis; design of a sampling plan and data collection procedures; development of survey instruments; and compilation of these components into a survey clearance package for submission to the Education Data Acquisition Committee of the U.S. Office of Education (USOE) and to the Office of Management and Budget (OMB). Chapters provide an introduction to the study, a summary of Stage I activities, and plans for Stage II activities. Appendices and illustrations provide material on institutional eligibility, program monitoring, sources of student information, institutional reporting, BEOG application processing and validation, student need analysis systems, USOE guidelines for student budgets, procedures for ensuring compliance with regulations, allocation of aid to institutions, and National Direct Student Loan Program defaults. (LC)

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STAGE I FINAL REPORT FOR THE STUDY OF PROGRAM MANAGEMENT PROCEDURES IN THE CAMPUS-BASED AND BASIC GRANT PROGRAMS

(Volume I)

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1

INTRODUCTION

A. Background of the Study

Since the early 1960's, Congress has established within the Office of Education (OE) a variety of student aid programs to remove the financial barriers that might otherwise keep qualified students from receiving some form of postsecondary education. These programs include (1) the Basic Educational Opportunity Grant Program (BEOG), (2) the Supplemental Educational Opportunity Grant (SEOG), (3) College Work Study (CWS), and (4) the National Direct Student Loan (NDSL).

The BEOG program was authorized under Subpart 1 of Part A of Title IV of the Higher Education Act of 1965, as amended by the Education Amendments of 1972 and 1976. Its purpose is to provide eligible students with a "foundation of financial aid to help defray the costs of postsecondary education".[1/] It is an entitlement program by which a student has the legal right to receive a grant if all application and eligibility requirements have been fulfilled. During the 1977-78 academic year, an eligible student is one who:

(a) has established financial need by means of the Basic Grant application appropriate for that year;

(b) is an undergraduate student enrolled on at least a half-time basis;

(c) is enrolled in an eligible program of studies offered by an eligible institution of postsecondary education;

[1/] Basic Grant Handbook, 1977-78, p. 1-1.

(d) is a citizen or national of the United States, or is in the United States for other than a temporary purpose and is a permanent resident, or is a permanent resident of the Trust Territory of the Pacific Islands; and

(e) has not completely expended his or her maximum eligibility for benefits, which is four full academic years.[1]

The other three programs, collectively referred to as the Campus-Based Programs, complement the BEOG by allowing the Financial Aid Officer to exercise some discretion in regard to the need of the individual student relative to others in attendance at the institution. Student eligibility for funds from the three Campus-Based Programs, unlike BEOGs, is determined at the institution instead of the Federal government, with packages of student aid tailored to the needs of the individual students.

The National Direct Student Loan Program (NDSL) (previously known as the National Defense Student Loan Program) was established under Title II of the National Defense Education Act (NDEA) of 1958 (P.L. 85-864), as amended. The Education Amendments of 1972 (P.L. 92-318) transferred the program from the NDEA to Part E of the Title IV of the Higher Education Act of 1965. The purpose of NDSL is to provide a loan fund at institutions of higher education for the purpose of making long-term, low-interest loans to qualified students in need of financial assistance. To be eligible, the student must pursue study on at least a half-time basis.

College Work Study (CWS) was authorized by Title IV, Part C, of the Higher Education Act of 1965 (P.L. 89-329), as amended. The purpose of the CWS program is to extend part-time employment opportunities to students who are in need of the earnings from such employment to pursue courses of study at institutions of higher education. By subsidizing the part-time employment of needy students, the program is intended to promote the equality of educational opportunity at the postsecondary level.

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[1] Basic Grant Handbook, 1977-78, pp. 1-2 to 1-3.

The Supplemental Educational Opportunity Grant Program (SEOG) is the current name for the Educational Opportunity Grant Program which was authorized by Title IV, Part A, of the Higher Education Act of 1965 (P.L. 89-329), as amended. The purpose of the program is to provide supplemental grants to assist qualified students who, for lack of financial means, would be unable to obtain the benefits of postsecondary education without such a grant.

At this time, OE administered student aid programs have been in existence for at least five years. Since 1975, the Office of Planning, Budgeting, and Evaluation (OPBE), the evaluation arm of OE, has undertaken a three-phased study to assess the impact of these programs and the extent to which they are presently fulfilling their legislative mandate. The first phase of the Study on the Impact of Student Financial Aid Programs (SISFAP I) was the design phase for four impact studies conducted in the second phase (SISFAP II). The four studies respectively addressed: (1) the relationship between Federal and State aid policies and practices on choice of postsecondary institutions, (2) the impact of labor market conditions on access to postsecondary education, (3) the impact of financial aid on student persistence, and (4) the relationship between Federal and State aid programs. All these studies except the third are presently being completed under contracts with OPBE. The third study was cancelled.

B. Purpose of the Study

This study is the third phase of SISFAP (SISFAP III). The primary purpose is to evaluate Federal and institutional management policies and practices for BEOG and Campus-Based Programs as they impact on the extent to which the programs are meeting their legislative goals. The operational areas posed for the study include the following:

- Funding - the relationships, over time, between program funding levels and measures of the achievement of program objectives;
- Eligibility - institutional procedures for obtaining eligibility to participate in the financial aid programs and the costs incurred;
- Institutional Application - procedures used to apply for funding under the Campus-Based programs, particularly the estimation of resources and expenditures;
- Allocation of Aid to Institutions - the equity of the Campus-Based aid state allocation formulas and the final award levels to institutions as well as the extent of the substitution of Federal funds for institutional funds;
- Counseling - the quality of student financial aid counseling and the resulting impact on the distribution of aid to students;
- Information Sources - the ways in which students become aware of the Federal programs;
- Need Analysis - procedures used to calculate student financial need and the effect of different need analysis procedures on the aid received by the student;
- Student Budgets - procedures used to determine the cost of education for different types of students;
- Packaging of Aid to Students - institutional philosophies of aid packaging, the procedures used to implement the philosophy, and their effect on the student;
- Student Application - the difficulties faced by students who seek to obtain financial aid and their effect on determining who applies for aid;
- Allocation of Aid to Students - the effect of the method and timing of award announcement and delivery on students' enrollment decisions and procedures employed by institutions to prevent the over-awarding of aid and the awarding of aid to students who are not eligible;
- Regulations - the effect on students and institutions of delays in issuing program regulations and the burden imposed on institutions through compliance with regulations;

- Reporting - procedures used and costs incurred by institutions to report student aid fiscal operations information to USOE;
- Monitoring - the effect on institutions of USOE audit and program review procedures; and
- Special Procedures - procedures used to validate and grant NDSL deferments, NDSL accounting procedures, NDSL loan collection procedures, procedures to secure CWS jobs, and procedures used to attract and retain disadvantaged students.

USOE's interest in examining these program operating procedures is two-fold: (a) to determine the equity of the distribution of financial assistance funds to students with similar characteristics in different institutions; and (b) to determine the extent of the burden which has been imposed on institutions of higher education by regulations which have been promulgated by the Office.

With respect to the equity of the distribution of student aid, three program objectives are of concern. First, Title IV of the Higher Education Act of 1965 (as amended) states that the purpose of student assistance is to "... assist in making available the benefits of postsecondary education to qualified students in institutions of higher education ...." Therefore, one measure of equity is the participation of various types of students at various levels and types of institutions. Second, the Basic Grant program, by far the largest USOE financial aid program, attempts via non-returnable aid (grants) to equalize the financial barriers faced by potential students across family wealth levels or, as otherwise stated, to equalize the total non-returnable aid (including expected parental contribution) that students receive at similarly priced institutions. The remaining price (cost of education minus non-returnable aid) that students face for their postsecondary education is assumed to be made up by students' loans and work. Therefore, a second measure of equity is the loan-work burden faced by all students at similarly priced institutions. Finally, the CWS legislation states that the purpose of the program is to provide jobs to students "... who are in need of earnings from such employment to pursue courses of studies at such institutions." Similarly NDSL is intended to make "...low-cost loans to students in need thereof to pursue their courses of studies in such institutions." Therefore, a final measure of equity is the degree to which potential students have equal access to loans and work in order to have sufficient funds to pay for their education.

With respect to the institutions, the impact of these programs occurs at three levels. The first level is in terms of the direct costs to the institutions of administering the programs. These include costs for financial aid services such as counseling and distributing the aid, recordkeeping costs, the cost of report submission, etc. The second level is in terms of indirect costs to the institutions of changes in student body size and composition due to the presence of the Basic Grant and Campus-Based programs. These include costs for extra service programs such as remedial courses, costs of additional institutional financial aid, etc. The third level is in terms of a loss of administrative discretion caused by the regulation of administrative procedures imposed by the Federal government as a requisite for an institution's obtaining Federal student aid under these programs.

Therefore, to the extent that institutions have a significant degree of flexibility in their adoption of operational procedures, the intent of this study will be to develop a comprehensive view of the interrelationships between institutional behavior and program outcomes. The results will yield direct benefits to both USOE and the participating institutions by providing:

- a description of existing procedures used by institutions in the disbursement and monitoring of funds and in the operations of the programs; and
- an evaluation of the effectiveness and efficiency of the procedures in terms of achieving the intended benefits of the programs through (a) the identification of differences in outcomes that are related to differences in management and operating procedures, or (b) trade-offs between the costs of operations and their benefits.

In addition, indirect benefits will accrue to students as a result of modifications to existing operating procedures so as to equalize the treatment of similar students in similarly priced institutions.

In conclusion, it must be recognized that no single evaluation study can, in and of itself, resolve all of the problems relating to the management of student financial assistance programs and to the equity of the distribution of financial aid funds. However, to the extent that this study can provide an accurate description of the procedures currently being used and an evaluation of their effect on program objectives, it will furnish the data needed by USOE to develop policies which will, at the very least, achieve an incremental improvement in the Basic Grant and Campus-Based programs.

C. Procedures of the Study

The study is divided into two stages due to the complex nature and extensive scope of work. Stage I consists of the performance of descriptive and evaluative analyses using existing data sources or data to be collected without requiring instruments approved by the Office of Management and Budget (OMB). In addition, sampling design, data collection procedures, and instruments are to be developed to acquire student and institutional information that is not currently available or adequate. (Detailed description of the activities and methodologies involved in this stage of the project is presented in Chapter 2, while results of analyses on existing data are included as appendices).

The intent of Stage II is to collect and analyze primary source data by means of a two-step process. First, a sample of 150 institutions of postsecondary education will be selected for on-site interviews. During the visits, project staff will interview (1) student financial aid officers, other appropriate officials (e.g., Fiscal Officers, Registrars), and (2) a random sample of approximately 125 students per institution of which at least 60 will be financial aid recipients. In addition, project staff will examine the financial aid records of those students selected in (2) who are financial aid recipients along with ten financial aid records per institution of students who have withdrawn from school. The second step will consist of the following activities: (1) performing preliminary analysis on site visit data and developing the mail questionnaire and imputation algorithms; (2) obtaining OMB approval for the mail survey instrument; (3) conducting the mail survey of approximately 2400 institutions; (4) conducting site visits to a one percent subsample of the mail survey respondents for the purpose of validating the imputation algorithms developed earlier; and (5) completing data analysis and preparing the final report.

The entire study procedures are summarized in Figure 1.1.

D. Organization of the Remainder of This Report

This report is the summary report for the end of Stage I and is intended to document the activities undertaken during the first stage of this project; describe the plans for Stage II of the project; and present preliminary findings from the analysis of secondary source data.

Accordingly, Chapter 2 of this report describes the activities undertaken during Stage I of the study, while Chapter 3 presents the activities planned for Stage II of the study. The remainder of the report (the Appendices and Volumes II and III) presents the analysis based on secondary source data which either are currently available or were collected without requiring OMB approval. The analytical areas included are:

- Appendix A: Institutional Eligibility
- Appendix B: Program Monitoring - Audits
- Appendix C: Institutional Reporting
- Appendix D: Sources of Student Information
- Appendix E: BEOG Application Processing and Validation
- Appendix F: Student Need Analysis Systems
- Appendix G: USOE Guidelines for Student Budgets
- Appendix H: Procedures for Ensuring Compliance with Regulations

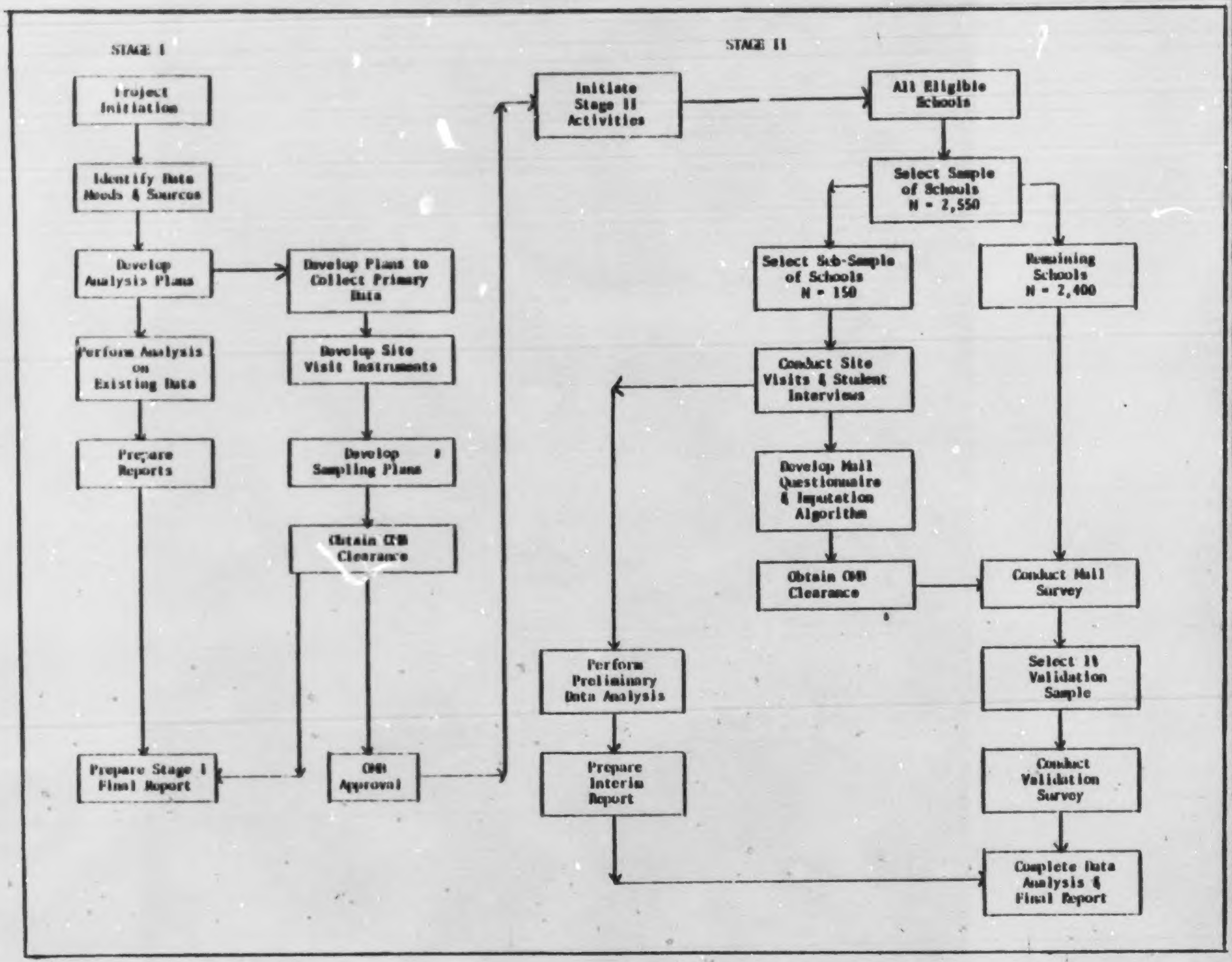
STAGE I
Project Initiation
Identify Data Needs & Sources
Develop Analysis Plans
Develop Plans to Collect Primary Data
Perform Analysis on Existing Data
Develop Site Visit Instruments
Prepare Reports
Develop Sampling Plans
Obtain OMB Clearance
Prepare Stage I Final Report
OMB Approval
STAGE II
Initiate Stage II Activities
All Eligible Schools
Select Sample of Schools N = 2,550
Select Sub-Sample of Schools N = 150
Remaining Schools N = 2,400
Conduct Site Visits & Student Interviews
Develop Mail Questionnaire & Imputation Algorithm
Obtain OMB Clearance
Conduct Mail Survey
Perform Preliminary Data Analysis
Select 1% Validation Sample
Prepare Interim Report
Conduct Validation Survey
Complete Data Analysis & Final Report

FIGURE 1.1: PROCEDURES OF THE STUDY

In addition, Volume II presents an analysis of the Basic Grant and Campus-Based funding history and Volume III describes regional office procedures.

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SUMMARY OF STAGE I ACTIVITIES

Stage I activities consisted of the analysis of existing (i.e., secondary source) data and the development of a complete research design for Stage II data collection and analysis. Secondary source data include those currently available from other studies and those collected without the necessity of OMB approved instruments (e.g., interviews with government program staff). The research design entailed questionnaire development, a sampling scheme, data collection procedures, and a general data analysis approach. Stage I covered the period from October, 1977 through September, 1978.

Development of the Data Needs and Sources Report

The first of the tasks in Stage I was a meeting held with OPBE to discuss revising the existing Stage I schedule in order to allow more time for the development of the study design. As a result of this meeting, a formal contract modification was submitted which requested the delay of the final data collection instruments and OMB Package from March 31 to May 31, 1978. Confirmation of the modification was received in November, 1977. Exhibit 2.1 presents the activities which were to be undertaken during Stage I of the study along with the revised completion dates.

The next activity of Stage I entailed an intensive search of all available literature to uncover prior research related to this study. Documentation of potentially usable data files were obtained,

EXHIBIT 2.1: STAGE I MILESTONES

PRODUCT	TASK NO.	DUE DATE
Listings of all data and other information needed to complete study, including existing and potential sources (10 copies)	1	12/30/77
Preliminary analysis plans, procedures for obtaining existing data, and new data collection plans (10 copies)	2	3/31/78
Final analysis plans, procedures and new data collection plans (10 copies)	3	4/28/78
Preliminary data collection instruments and OMB package (10 copies)	4	4/28/78
Final instruments and OMB package (25 copies)	5	5/31/78
Preliminary report on data not requiring an OMB-approved instrument (10 copies)	6	5/31/78
Final Report (10 copies)	8	9/29/78
Complete listing or documented tape (5 copies)	8	9/29/78
Executive Summary (10 copies)	8	9/29/78

and brief descriptions were prepared for each. Additional background materials from USOE and the financial aid services (e.g., ACT/CSS) were then acquired and reviewed for their relevance.

Concurrent with this activity, a listing of all data needs for the study was compiled. Several steps were employed in the accomplishment of this task. First, each issue was studied and defined in terms of operational measures (i.e., variables) required to address the issue. Potential data sources (e.g., person, organization, document) were then identified. At the same time, an examination of existing data files from other related studies was made to determine their applicability to the present study issues. If a file contained information useful for addressing an issue, it was specified as secondary source data. If no secondary data source was available, the need for primary source data was indicated. Exhibit 2.2 presents an illustrative example of the format employed in the Data Needs and Sources document. This document was reviewed by two local Financial Aid Officers and was then submitted to the Project Officer, according to the schedule, on December 30, 1977.

Preparation of Reports for the Deputy Commissioner, BSFA

Occurring simultaneously with the development of the Data Needs and Sources Report was the preparation of special working papers in response to specific inquiries from the Deputy Commissioner, Bureau of Student Financial Assistance. These reports, which focused on the procedures to conduct pre-award validation on Basic Grant application data and the procedures to consolidate institutional reporting under the various financial aid programs into a single form, were delivered in November, 1977. In addition, at the request of the Deputy Commissioner, the following activities were conducted: (a) provision of the estimated cost for pre-award validation assuming a contractor were to perform the job; (b) preparation of a list of questions to be examined in the study which could be answered with existing data; and (c) an investigation of the use of information reported on the FISCOP and BEOG Quarterly Reports. These reports were submitted to the Deputy Commissioner on January 10, 1978.

Development of the Research Design

The development of the research design for this study consisted of four interrelated activities. These activities entailed: 1) the development of plans for data analysis; 2) the design of a

EXHIBIT 2.2: EXAMPLE OF THE FORMAT USED IN THE DATA NEEDS AND SOURCES DOCUMENT

D.4B VALIDATION OF DATA

General Objective: To investigate the procedures for the validation of data submitted by students on applications for financial aid.

Specific Issues	Operational Measures	Data Sources	Availability of Data	
			Secondary	Primary
1. How is data on BEOG application validated?	a. Methods of validating BEOG applicant data: - By processing contractor - By validation contractor - By institutions	1) BSFA-Dick Hastings, Chuck Patterson, Ernie Becker 2) ACT 3) Applied Management Sciences (AMS) 4) Institutions	a) Student Financial Aid Handbook	a) OE-Central, b) ACT c) AMS d) Institution survey
2. What percentage of BEOG applications, by student type, were determined to have inconsistent or incorrect data? Which data items were most often incorrect? How were the cases resolved?	a. Student types with inconsistent data b. Data items most often incorrect c. Methods of reconciling invalid data	1) BSFA - Dick Hastings, Ernie Becker 2) Applied Management Sciences (AMS)	None	a) OE-Central b) AMS c) ACT
3. Construct a typology of institutional type uses each category of the above typology?	a. Methods for detecting suspect data b. Procedures for reconciling suspect data	1) Director of SFA	None	a) Institution survey
4. What percentage of each institutional type uses each category of the above typology? (methods of reconciling invalid data)	a. Institution types b. Procedures in question 3.	1) Director of SFA	None	a) Institution survey

sampling plan and data collection procedures; 3) the development of survey instruments; and 4) the compilation of these components into a survey clearance package for submission to the Education Data Acquisition Committee of USOE and to the Office of Management and Budget (OMB). Each of these is discussed in greater detail below.

The Analysis Plan

The Analysis Plan consisted of a description of the data to be used, analytic files constructed, hypotheses to be tested, the analytic techniques to be employed to respond to the study issues, and variable specifications and sources. The preliminary Analysis Plan was delivered to the Project Officer on March 31, 1978. Upon receiving OPBE's comments, it was revised, and the Final Analysis Plan was submitted on April 28, 1978.

The Survey Instruments

The data collection instruments constituted the means for gathering primary source data from institution officials in the mail and site-visit surveys and from students in on-site interviews. The instruments, which were designed to address the study issues identified in the Final Analysis Plan of April 28, 1978, consisted of the development of the:

- Institution Questionnaire - designed to elicit data on the institution's policy, practices and costs in financial aid management. Interviews will be held with the Financial Aid Officer, Chief Fiscal Officer, Loan Officer, Registrar, and Provost in order to obtain the necessary data.
- Student Questionnaire - designed to yield information on the equity of the distribution of aid to students and other impacts relative to institutional operating procedures.
- Record Review Form - designed to record the results of students' financial aid files. There is no respondent for this form.

Concurrent with the instrument development activities was the preparation of two questionnaire development matrices, each corresponding with the Student or Institution Questionnaire. Each matrix linked specific questionnaire items to the research issues under investigation, thereby ensuring that the study would yield information about all relevant issues. A preliminary version of the instruments and their corresponding matrices was submitted to OPBE for review on March 31, 1978.

The preliminary instruments were then reviewed by Financial Aid Officers from two private universities in the District of Columbia. The review focused on the following factors: 1) identifying the appropriate respondent for each question; 2) determining the availability of the information; 3) assessing the clarity of each question; 4) identifying those questions which required more specificity; and 5) specifying those cost-related questions which could be included in the mail survey (as opposed to the site visit survey). In addition to providing very specific comments with regard to revising the questionnaires, the FAOs suggested that we pay students to complete the questionnaire, identify an on-site coordinator at each institution to ensure a complete response, and send a letter to each institution authorizing Applied Management Sciences, as an agent of the Federal government, to be permitted access to the student records.

After incorporating the Financial Aid Officers' comments, the instruments and the data collection plan were pretested at three institutions: a private university in the District of Columbia, a public community college in suburban Maryland, and a proprietary technical school in Baltimore, Maryland. In addition to interviews with the Financial Aid Officers, three students were selected at each institution (for a total of nine respondents) and were administered the Student Questionnaire.

Upon completion of the questionnaire, the students were interviewed for their overall impressions and to gain their input with respect to the appropriateness of the language level, the clarity of the questions, the specificity of the response options, and the availability of certain information. Findings from the pretests are summarized as follows: 1) all students indicated their willingness to complete the questionnaire in an actual field test situation; 2) the questions were "fairly simple" and "straightforward"; 3) the directions were "very clear"; 4) the skip patterns posed no problem; and 5) the length of the questionnaire appeared to be appropriate (i.e., it took 25-30 minutes to complete). Because of our experience with Spanish-speaking students during the pretest, it was decided to develop a Spanish version of the Student Questionnaire. The results of the pretests were evaluated and used to revise the preliminary survey instruments.

The revised instruments were next reviewed during a two-day meeting conducted by the contractor and attended by the Project Officer, members of the Bureau of Student Financial Assistance, and a panel of six independent consultants (see Exhibit 2.3). Their comments were primarily directed at the Institution Questionnaire which was revised accordingly. A second meeting was arranged with Mr. Dale Hyerstay, a Director of Student Financial Aid, to further modify the Institution Questionnaire in the areas of aid packaging and program regulations. The revised Institution Questionnaire was then pretested at three different schools.

Finally, the instruments were reviewed at the University of Vermont by a consortium of student financial aid officers and individuals affiliated with the Vermont Student Assistance Corporation. While some questions arose regarding the availability of the information (e.g., cost questions), the group was enthusiastic about the study, felt that it would serve as a learning experience for themselves, and expressed interest in the study results.

The Record Review Form was also tested at this time in order to determine: 1) how well it worked for abstracting purposes; 2) the length of time required to abstract the needed information; and 3) how to access the files to obtain the needed information. It was found that approximately seven minutes were required to abstract the needed information. Prior to initiating the abstracting procedures, it will be necessary for the site visit team to determine how the files can be accessed and where all the relevant data are located (e.g., CWS job files may be stored in a separate office.)

The Sampling and Data Collection Plans

During the course of this study, the Sampling Design has undergone several revisions. The initial sampling framework called for a mail survey of a large number (2400) of institutions and site visits to a subsample of 50 of these institutions, including interviews with a sample of students in attendance (i.e., 125 students at each of the schools participating in the site visit survey). A preliminary document containing the Sampling Design and Data Collection Plans was delivered to OPBE, and copies were mailed to members of the consultant review panel on March 31, 1978.

In April, serious consideration was given to modifying the Sampling Design. At that time, the consultant review panel convened for two days to review the study design. The single most important recommendation emanating from this meeting was to discard the mail survey of institutions in favor of greatly expanding the site visits and the student sample. Another recommendation was to replace the classroom cluster sampling technique with a representative random sample of students. This recommendation was also made by an independent sampling consultant, Mr. Joseph Steinberg.

Based upon this meeting, a contract modification for Stage II activities was prepared and submitted to the Contracting Officer on May 19. This modification contained a revised schedule and the following changes: 1) elimination of the mail survey of institutions and expansion of the site visit survey; 2) selection of a national representative sample of students; 3) payment to participating institutions and students; and 4) inclusion of funds for computer supplies and keypunching (to correct an earlier budget oversight).

EXHIBIT 2.3: ATTENDEES AT ADVISORY PANEL MEETING

Independent Consultants

- Dr. Barry R. Chiswick
  Research Professor
  Hoover Institute
  Stanford University
- Dr. Teh-wei Hu
  Professor of Economics
  Department of Economics
  Pennsylvania State University
- Dr. Shannon Janes
  Assistant Vice President for Planning & Coordination
  American College Testing Service
- Dr. W. Lee Hansen
  Professor of Economics
  Department of Economics
  University of Wisconsin
- Dr. Frank Stafford
  Professor of Economics
  Department of Economics
  University of Michigan
- Mr. Dale Hyerstay
  Director of Financial Aid
  University of Vermont
- Dr. Merle Lange
  Director of Financial Aid
  Glendale Community College
- Dr. V. Dallas Merrell, President
  The Merrell Corporation

USOE Attendees

- Dr. Alexander Ratnofsky
  Project Officer
  Office of Planning, Budgeting, and Evaluation
- Mr. John Haines
  Office of Planning, Budgeting and Evaluation
- Dr. Joseph Vignone
  Bureau of Student Financial Assistance
- Ms. Lucy Medford
  Bureau of Student Financial Assistance

The OMB Clearance Package

On May 9, 1978, an OMB Clearance Package and Documents Required for Submission to the Education Data Acquisition Committee, were submitted to OPBE for review by the USOE Forms Clearance Officer. The OMB Package addressed only data to be collected through site visits following the recommendation to dispense with the mail survey.

Following the review of the preliminary OMB Clearance Package by the USOE Forms Clearance Officer, two meetings were held between the Applied Management Sciences' project staff and OPBE to discuss the initial critique. The results of these discussions included: 1) the retention of a large mail survey of institutions in order to permit the detailed analysis of differences among categories of institutions; 2) the expansion of the site visits to 150 institutions; 3) the subsequent increase of the student sample to 18,750; 4) the addition of tasks to develop imputation techniques from the site visit data to be used in the mail survey; 5) the addition of a small number of site visits of mail survey schools to validate the imputation procedures; and 6) a refocus of the analysis of the data on behavioral relationships rather than on simple descriptions of the populations. As a result of these meetings, a major effort was undertaken to revise the appropriate sections of the OMB Clearance Package.

A newly revised version of this document, which incorporated OPBE's comments, was delivered to OPBE on July 10. On that date, a meeting was held to discuss the Package and the cost implications of a contract modification.

At a meeting with OPBE on July 14 to review the Package, several questions arose regarding the stratification variables to be included in the sampling design. Accordingly, a review of the available data files was undertaken in order to provide OPBE with the information needed for them to select the appropriate policy-relevant variables. Upon the completion of this review, additional meetings were held with OPBE on July 25, July 27, and July 29 to resolve any further issues related to the preparation of the Package. These discussions primarily addressed the use of a double sampling approach for the mail and site-visit surveys (i.e., schools selected for site visits are a subsample of those selected for the mail survey), and a clarification of the need to develop imputation algorithms. Following the last of these meetings, the OMB Package was fully revised and submitted to OPBE for internal review and for submission to the USOE Forms Clearance Officer.

At the same time, a formal request for modification of Stage II of the contract was prepared and submitted to the Contracting Officer on August 7. This modification, which superseded the earlier one dated May 19, requested an extension of Stage II for eight months and the following five basic contract changes: 1) an increase in the number of site visits to 150 institutions, with a concurrent delay of the mail-out survey, to allow the completion of a series of imputation validation subtasks and the introduction of a separate mail-out OMB Package; 2) an expansion of the student sample to 18,750, by sampling students at all 150 institutions, to ensure that the student sample will be nationally representative as well as representative of the school from which the sample is drawn; 3) a random selection of students in each of the 150 institutions rather than a selection through classroom clusters; 4) reimbursement to institutions and students for the burden of participating in the survey; and 5) the inclusion of funds for keypunching. Confirmation of this contract modification was received on September 22, 1978.

Additional comments pertaining to the OMB Package were received from OPBE on August 25 and August 30 which precipitated the following revisions to the Package:

- students will be stratified by academic class prior to their selection and a proportional sample drawn from each subgroup;

- after drawing a random sample of students at each institution, the list will be matched against a roster of financial aid recipients. If less than 60 recipients have been randomly selected, additional stratified random samples of recipients will be drawn until at least 60 are included in the sample;
- the random sample of student records will be dropped -- all students who are included in the survey will have their records reviewed;
- a random sample of ten financial aid records for students who have withdrawn from school will be selected at each school;
- selected questions were dropped from the questionnaires while others were significantly modified; and
- the supporting statement was reorganized so as to place the statistical discussion of the survey design in an appendix and, a brief summary to the main text was added.

After these changes were incorporated into the Clearance Package and another series of reviews by all concerned parties were completed, revised copies were submitted to the Project Officer for final approval on September 29, 1978.

Analysis of Secondary Source Data

The analysis of secondary source data, which has been on-going since the beginning of the project, entailed the following activities:

- obtaining and merging available computer files;
- designing and generating tabulations of the data contained in the files,
- collecting data from OE Central and Regional program personnel;
- acquiring and synthesizing information contained in relevant publications; and
- interpreting and reporting the data.

The results to date of the secondary data analysis are documented in the Appendices and Volumes II and III of this report.

As noted above, a major component of the secondary data analysis encompassed collecting data from the OE Regional and Central Offices in order to determine how the student financial assistance programs are being administered. Accordingly, a number of interviews were conducted at the Bureau of Student Financial Assistance (see Exhibit 2.4), the Division of Eligibility and Agency Evaluation, and the HEW Audit Agency. In addition, site visits were made to each of the 10 OE Regional Offices. As was true with the survey instruments (i.e., the Student and Institution Questionnaires), each of the interviews addressed the study issues identified in the Final Analysis Plan.

The following documents, which are relevant to the analysis of secondary source data, were submitted to OPBE: 1) OE Interview Instrument Outline (March); 2) 15 summary tables generated from the FISCOP files, covering FY 1974 to FY 1977 (April); and 3) the Preliminary Report on Data not Requiring OMB Clearance (June).

Preparation for Stage II Activities

In preparation for Stage II of this study, two associations, the National Association of Trade and Technical Schools and the Association of Independent Colleges and Schools, were contacted by Applied Management Sciences to inform them of the nature and scope of the project and to obtain their endorsement. Both associations agreed to do the following: 1) publish a notification of the study in their monthly newsletters; 2) allow us to mention that the associations are aware of the study and supportive of its goals in the initial letter to the institutions; and 3) handle any calls from member schools which are unsure about participation in the survey in order to help urge their cooperation. Accordingly, a summary of the study was prepared and sent to the National Association of Trade and Technical Schools and the Association of Independent Colleges and Schools for publication in their monthly newsletters.

Further, the Project Officer conducted extensive meetings with the National Association of Student Financial Aid Administrators (NASFAA), the National Association of College and University Business

EXHIBIT 2.4: BSFA DIVISIONS CONTACTED AND INDIVIDUALS INTERVIEWED

Division of Certification and Program Review

- R. Hastings, Director
- W. Hassler, Chief, Audit Review Branch
- C. Forsythe, Chief, Program Review Branch
- J. Raffensperger, Chief, Institution and Lender Certification Branch
- R. Lipton, Chief, Participation Control Branch
- J. Saunders, Chief, Student Validation Branch

Division of Compliance

- N. Ames, Chief, Tracking and Support Branch
- L. Newman, Chief, Investigations Branch

Division of Training and Dissemination

- J. Moore, Director

Division of Policy and Program Development

- P. Voight, Director
- H. Shaw, Chief, Campus and State Grant Branch
- D. Sedicum, Chief, Basic Grant Branch
- J. Vignone, Chief, Analysis Section, Basic Grant Branch

Division of Program Operations

- N. Coleuzzi, Assistant to the Director
- R. Coates, Chief, Financial Management Section, Campus and State Grant Branch
- R. Payne, Analyst, Financial Management Section, Campus and State Grant Branch
- M. Giddings, Chief, Fund Control and Disbursement Section, Basic Grant Branch
- A. Uyechi, Chief, Disbursement Unit, Fund Control and Disbursement Section, Basic Grant Branch

Division of Quality Assurance

- E. Becker, Director

Officers (NACUBO), and the American Council on Education (ACE) to review the survey instruments and the data collection procedures. In addition to suggesting modifications to the questionnaires (which were part of OPBE's comments discussed above), NASFAA recognized an urgent need for student specific data. Consequently, it was decided that NASFAA will conduct a mail survey of institutions to obtain student data earlier than available from this study. Applied Management Sciences will select a sample of 150 schools, prepare guidelines for data collection including a survey monitoring system, and provide a master copy of the Record Review Form. NASFAA will conduct the data collection and manual editing effort while Applied Management Sciences will be responsible for keypunching, machine editing, and the preparation of a data tape. A copy of the data tape with records augmented with FISCOP data will be provided to NASFAA.

In addition, the following correspondence was prepared and submitted to OPBE for review:

- a memorandum to the OE Regional Offices which informs them of the survey;
- a letter to the institutions selected to participate in the survey which informs them of the study and asks for their participation;
- a brief description of the study; and
- postcards to the students selected in the sample which notifies them of the date, time, and location of the survey.

Upon receiving OPBE's comments, these materials were revised.

In preparation for the selection of the samples of IHEs to be selected for the site visit and mail surveys, a master universe file of all institutions participating in the Basic Grant and/or Campus-Based programs was developed. The file was initially produced by merging the 1976-77 FISCOP Report File from the Student Financial Aid Management Information System (SFAMIS) with the 1977-78 Institution Universe file from the BEOG Program Information and Monitoring System (PIMS). Because of problems with mismatches between the two files and miscoded IHE characteristics data, especially in the

FISCOP file, several person months of effort were expended to manually correct as many errors as possible using the fall 1977 NCES HEGIS Institutional Characteristics Survey and other published sources. The resulting file, containing all basic institutional information needed to define the study's sampling stratification frame, will be used to select the two samples (i.e., the mail and site visit surveys) and to form the basis for an automated survey receipt control system.

Budgetary Considerations

Despite the fact that Stage I involved a significant number of unanticipated tasks (i.e., the preparation of special analyses for the Deputy Commissioner of BSFA, and numerous revisions to the OMB Clearance Package), the total expenditures exceeded the original budget planned for Stage I ($238,240) by only $6,400. However, additional funds to cover this deficit were not requested at this time, with every expectation that they can be recaptured during Stage II through efficient operations.

3

PLANS FOR STAGE II ACTIVITIES

A variety of tasks are to be accomplished during Stage II of this project. Except for the continuation of several minor analyses on secondary source data, the bulk of work will be the primary data collection, processing, analysis, and reporting. A list of these tasks and their projected completion dates is presented below.

A. Continuation of the Secondary Source Data Analysis

	Topical Area	Duration	To be completed by the end of
1.	Special Procedures		
1.1	Regulations and procedures for deferments and cancellations	1/4 month	October 1978
1.2	NDSL accounts (i.e., sources of NDSL funds)	1/2 month	October 1978
2.	Student Application		
2.1	Validation of need-analysis application data	1/2 month	October 1978
2.2	Difficulties in application	1/4 month	October 1978
3.	Allocation of Aid to Institutions		
3.1	Equity of state and institutional campus-based allocations	1&1/2 months	November 1978

		Topical Area	Duration	To be completed by the end of
	3.2	Timing of award announcement	1/2 month	October 1978
	3.3	Substitution of Federal for institutional aid	1/2 month	October 1978
4.		Simulation of Alternative BEOG Eligibility Index Models	1 month	November 1978

B. Stage II Primary Data Collection, Processing, Analysis and Reporting

		Tasks	Duration	To be completed by the month of
1.		Initial Site Visits		
	1.1	Training interviewers	1 month	October 1978
	1.2	Arrange and conduct site visits	6 months	March 1979
	1.3	Site visit report	2 months	April 1979
2.		Edit and Assess Site Visit Data		
	2.1	Edit data/create files	6 months	April 1979
	2.2	Assess student survey yield	2 months	June 1979
3.		Mailout Survey		
	3.1	Develop imputation algorithm	1 month	March 1979
	3.2	Develop OMB package and obtain OMB approval	3 months	June 1979
	3.3	Conduct mailout survey	3 months	September 1979
4.		Edit and Assess Mailout Survey Data		
	4.1	Edit data/create file	4 months	November 1979
	4.2	Assess yield	2 months	December 1979

	Topical Area	Duration	To be completed by the month of
5.	Site Visit Followup		
	5.1 Arrange and conduct followup	3 months	October 1979
	5.2 Test imputation	2 months	November 1979
	5.3 Followup report	3 months	December 1979
6.	Analysis		
	6.1 Student analysis	4 months	September 1979
	6.2 Facility analysis	5 months	March 1980
7.	Prepare Reports		
	7.1 Draft	6 months	March 1980
	7.2 Final	2 months	May 1980

APPENDIX A

INSTITUTIONAL ELIGIBILITY

INSTITUTIONAL ELIGIBILITY

What are the procedures and criteria for determining the eligibility of institutions to participate in the Campus-Based programs? The Basic Grant program?

In order to have its students participate in any of the financial aid programs, an institution of postsecondary education must meet the Office of Education's eligibility requirements. Failure to abide by program regulations may result in the loss of such eligibility by an institution.

The procedures and criteria for establishing the eligibility of institutions to participate in the various financial aid programs are defined under the Higher Education Act of 1965. Each school must apply to the U.S. Office of Education's Division of Eligibility and Agency Evaluation (DEAE) for a determination of institutional eligibility. The institution must meet both the minimum eligibility requirements stated in each program's authorizing legislation as well as the requirements of the general legislation applicable to all recipients of Office of Education funds.

To be considered for eligibility, the Higher Education Act of 1965 defines seven major elements. The institution must:

- be legally authorized within a state or jurisdiction to provide a program beyond secondary school;
- be either accredited by a recognized accrediting organization, be determined by the Commissioner to be attempting to meet accreditation standards, or be able to provide letters from three accredited institutions stating that the applicant institution's credits will be accepted at the accredited institution;
- admit as regular students only those with a high school diploma or the equivalent if a proprietary school; and admit only students beyond the compulsory age of school attendance who can benefit from a postsecondary education if a public or other non-profit institution;

- award baccalaureate or advanced degrees or two-year associate degrees or include non-degree programs of at least six month duration leading to gainful employment;
- have operated for at least two years;
- be in compliance with the Civil Rights Act;
- not use Federal funds for religious or sectarian purposes.

When an institution receives accreditation, the Institutional Eligibility Branch, DEAE, automatically sends it the following materials: 1) an application for eligibility; 2) an information packet; and 3) eligibility requirements. (See Attachments A through C.) The Division of Eligibility and Agency Evaluation determines institutional eligibility for each of the Federal financial aid programs based on the application in which the institution outlines all its courses of study. After applications are validated, the division notifies each institution of those financial aid programs in which it may apply for participation. It is possible that some institutions will be found eligible for only some of the financial aid programs, or that only certain courses of study at the institution will be found eligible. (See Figure 1 for more detailed description of new school eligibility procedures.)

DEAE requires that a new application for eligibility be submitted whenever there is a change of ownership control, name or location. With a change of ownership control, the new owners must sign a statement assuming liability of Federal funds that have been disbursed to the school.

Once an institution possesses Basic Eligibility status, it must meet certification requirements[1/] to become eligible to participate in specific Federal student aid programs. In addition to a review of an institution's practices with respect to both general and program specific statutory requirements, the process involves

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[1/] Note: The Certification process was initiated in early 1978, and there is limited information about specific criteria that have to be met.

FIGURE 1: NEW SCHOOL ELIGIBILITY PROCEDURES

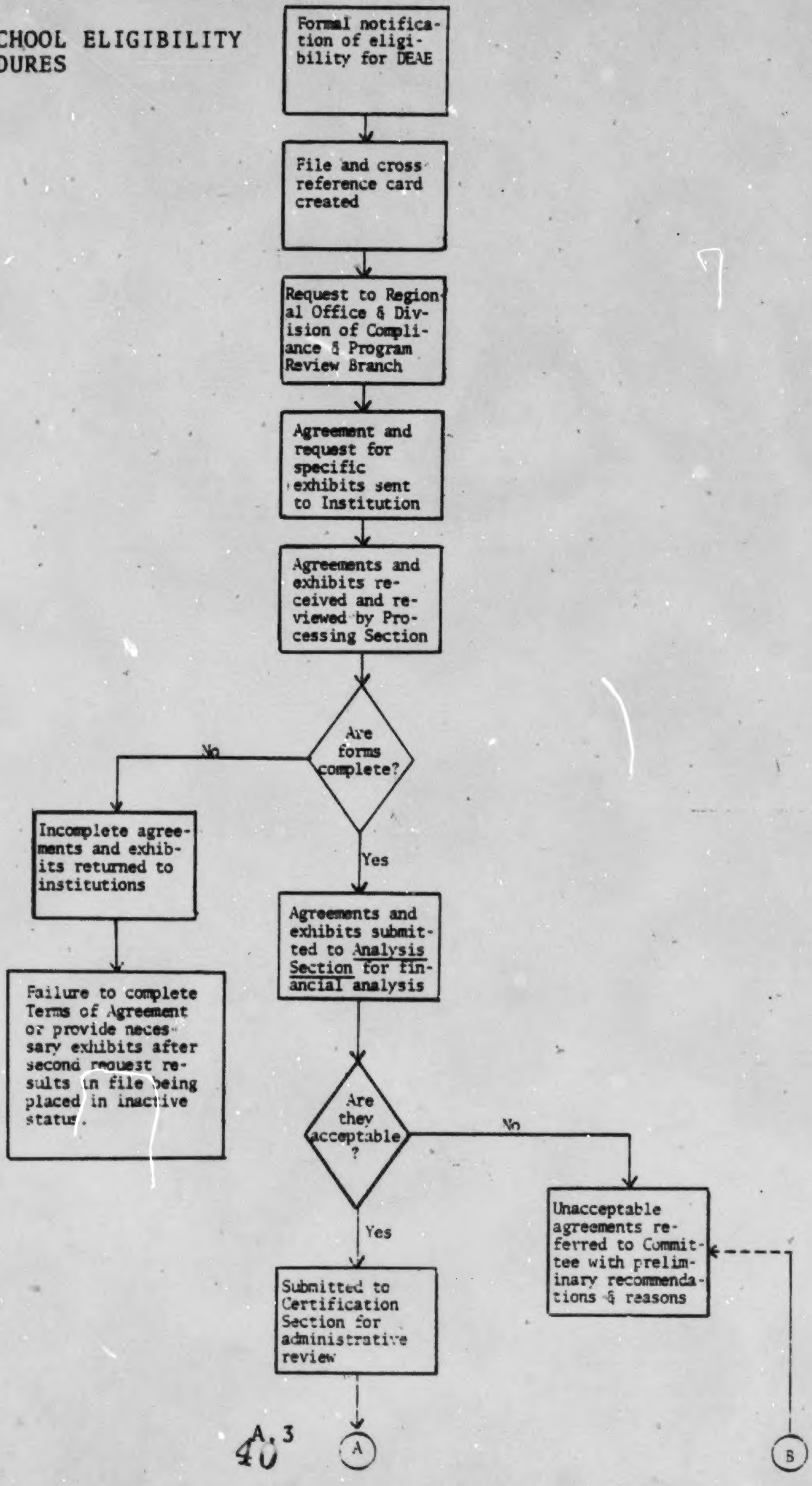
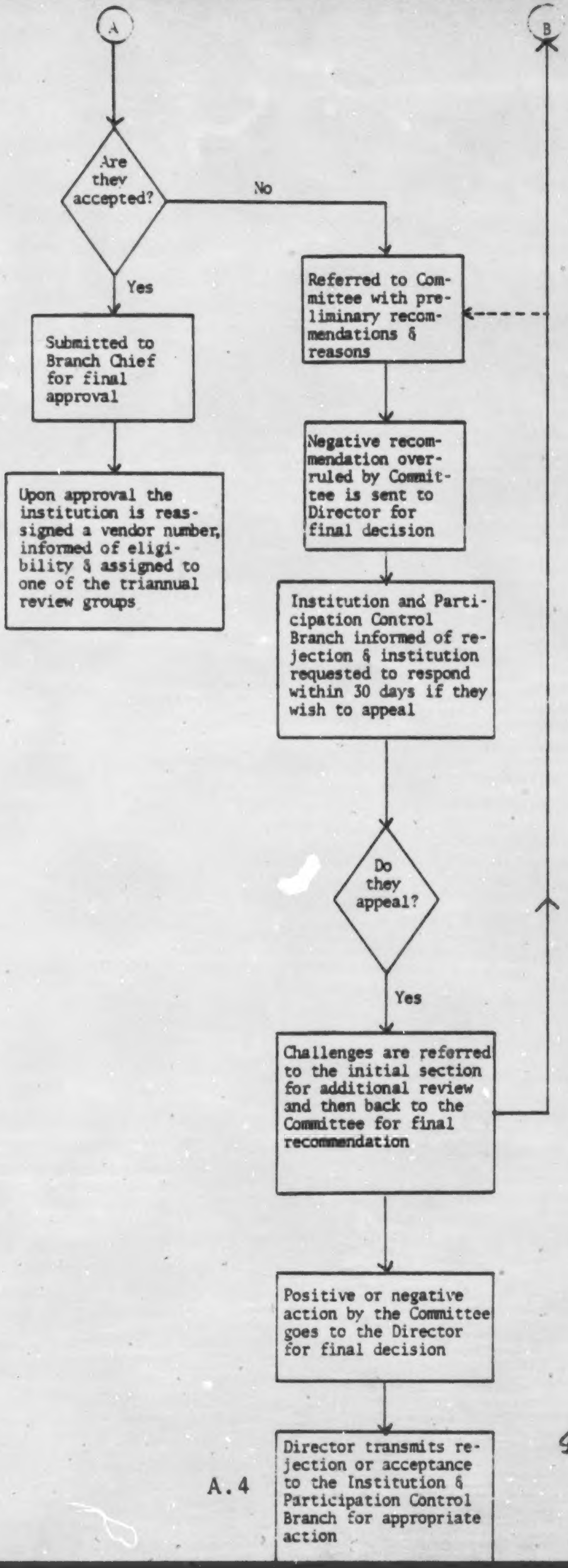

Formal notification of eligibility for DEAE
File and cross reference card created
Request to Regional Office & Division of Compliance & Program Review Branch
Agreement and request for specific exhibits sent to Institution
Agreements and exhibits received and reviewed by Processing Section
Are forms complete?
No
Incomplete agreements and exhibits returned to institutions
Failure to complete Terms of Agreement or provide necessary exhibits after second request results in file being placed in inactive status.
Yes
Agreements and exhibits submitted to Analysis Section for financial analysis
Are they acceptable?
No
Unacceptable agreements referred to Committee with preliminary recommendations & reasons
Yes
Submitted to Certification Section for administrative review
A
B

FIGURE 1:
(Continued)


A
B
Are they accepted?
No
Yes
Submitted to Branch Chief for final approval
Upon approval the institution is reassigned a vendor number, informed of eligibility & assigned to one of the triannual review groups
Referred to Committee with preliminary recommendations & reasons
Negative recommendation overruled by Committee is sent to Director for final decision
Institution and Participation Control Branch informed of rejection & institution requested to respond within 30 days if they wish to appeal
Do they appeal?
Yes
Challenges are referred to the initial section for additional review and then back to the Committee for final recommendation
Positive or negative action by the Committee goes to the Director for final decision
Director transmits rejection or acceptance to the Institution & Participation Control Branch for appropriate action

a thorough and comprehensive evaluation of the institution's resources, integrity and capabilities in the areas of financial stability, financial management, program management, and consumer protection practices as they apply directly to the institution's administration of the student financial aid programs.

The new certification process requires all schools to be certified before they can establish terms of agreement with the DEAE. The complete certification takes three years. In the first year, all schools get a one-year term agreement. After certification, schools receive a three-year term agreement, after which they will be recertified. The Division may arrange an on-site review of the applicant institution to confirm compliance with established criteria.

How are eligibility criteria validated by OE?

In reviewing the application submitted by institutions, the Institution Eligibility Branch reviews most closely those items contained in the statutes. For example, the Branch checks to see if the school is legally authorized to provide a program of postsecondary education. (DEAE requires the institution to provide a copy of the current legal authorization from the appropriate state agency.) In validating the application it is sometimes necessary for the Branch to consult with state agencies (i.e., if there is a question about the authorization) or check with the accrediting agencies (i.e., if there is a question about which programs are accredited, etc.). If the institution submits an incomplete application, it is contacted by phone and asked to submit the appropriate additional documentation in writing. Similarly, if the application contains contradictory information, the school must clarify it in writing.

In addition to reviewing the application, the following items are submitted at the time of application and are reviewed:

- Accreditation document
- License or approval issued by the State agency
- Catalogue of course offerings
- Student contract or enrollment agreement (a document signed by both the student and the institution which covers the course of study, tuition, refund policy, and other rules and regulations which might affect both parties)
- Copies of any promotional materials which are used to recruit students.

If a school meets these validation requirements, DEAE sends a letter notifying it of those financial aid programs in which the school may apply for participation.

What are the procedures for cancelling eligibility? How often have they been used?

Certain actions on the part of institutions precipitate cancelling eligibility. These are: 1) a lack of administrative capability; 2) a lack of financial stability; or 3) a violation of regulations.

Division of Eligibility and Agency Evaluation's (DEAE) Involvement

If DEAE determines that an institution no longer meets the statutory eligibility requirements, DEAE issues a letter over the signatures of the Deputy Commissioner for Higher and Continuing Education. This letter states that the school no longer meets a specific eligibility requirement, so the school's eligibility is terminated. The letter to the school is first drafted and reviewed by four officials:

- Section Chief, Institution Eligibility Branch, DEAE
- Branch Chief, Institution Eligibility Branch, DEAE
- Director, DEAE
- Deputy Commissioner of Continuing and Higher Education

Duplicates of the approved letter to the school are then distributed to approximately 15 officials or program administrators within OE. If the school wants to participate, it must reapply for eligibility.

At the same time, a "freeze" memo is sent to the Division of Finance so that they can discontinue the disbursement of funds to the institution, pending verification of the amount of money which may be due to eligible students.

According to the respondent at DEAE, the reasons for terminating proprietary schools versus public and non-profit institutions are different. Proprietary schools are usually terminated due to loss of accreditation or loss of state approval. Termination of public and non-profit institutions usually occurs because they have closed.

Participation Control Branch's Involvement

Schools are brought to the attention of the Participation Control Branch by way of program review, audit report, FBI investigation, compliance investigation, DEAE, or from the Committee on Institution and Lender Participation of the GSL program. The Branch examines the documents available and checks on the work of others.

It is the responsibility of the Director of the Division of Certification and Program Review to initiate the process of cancellation of eligibility. The Problem School Committee makes the decision of whether or not to pursue limitation, suspension, or termination (L, S, or T) action.[1] A letter of agreement concerning L, S, or T action is then solicited from the General Counsel's Office. The letter is needed because, if the action goes to a hearing or future litigation, the General Counsel's Office must provide the attorney.

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[1] Note: Regulations concerning L, S, or T actions for the Basic Grant and Campus-Based programs have only been in effect since February, 1978.

The Participation Control Branch first seeks an *informal compliance agreement* which may be written or verbal, depending upon the seriousness of the violation. If no agreement is reached, or if the school does not respond, an *emergency action letter* to withhold funds from an institution or its students or a *letter of intent to suspend or terminate* is sent. The letter informs the school of its rights. The school must be notified within seven days of the intent to terminate, and the school must reply within approximately 15 days. If the school does not respond, it is terminated or suspended. The process to cancel eligibility can take as little as *30 days* if the school does not respond to the letter or does not request a hearing or take as long as six months if a hearing is initiated.

If the school *does* respond to the letter, there are two options: 1) it can show that it has not acted wrongfully and OE will drop the case; or 2) the school can choose a hearing. When a hearing is held, the presiding officer decides about L, S, or T actions and determines whether the Federal government will be paid back funds and how, in the future, the school will be allowed to participate in the programs. Thus far, approximately three hearings have been initiated, however, none has been concluded as agreements have always been reached or the schools were terminated and did not appeal.

The hearing is presided over by an administrative law judge obtained from the Civil Service Commission. The Participation Control Branch coordinates the hearing with the General Counsel, whose role it is to present the case. There can be a pre-hearing conference at which the rights of disclosure are established. A school can appeal the decision made by the administrative law judge to the Commissioner by letter. The Commissioner will make the final determination. (Note: This has never happened.) If a school has been terminated, it cannot regain its status for a period of 18 months. After this period of time, the school must establish its eligibility just as a new school would. If a school has been suspended, a limitation or termination proceeding is begun within 60 days.

Actions have been taken against approximately 35 to 40 schools. Of these, about 10 did not respond and were terminated. No information is available about the status of the remaining schools.

What are the costs to OE incurred as a result of efforts on the part of OE to cancel an institution's program eligibility? What are the costs to OE of validating eligibility criteria?

While no exact figures are available with respect to the costs incurred by OE for validating eligibility criteria and for cancelling an institution's program eligibility, there is some indication of the staff and time devoted to these activities. On an average, it takes one person six to eight hours to validate eligibility criteria for each school. It takes between one to five days to cancel an institution's eligibility, depending upon the availability of the staff.

ATTACHMENT A

REQUEST FOR INSTITUTIONAL ELIGIBILITY FOR PROGRAMS

ATTACHMENT A

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

FORM APPROVED
O.M.B. NO. 51-R0578

REQUEST FOR INSTITUTIONAL ELIGIBILITY FOR PROGRAMS (UNDER THE HIGHER EDUCATION ACT OF 1965, AS AMENDED)

(Authority: 20 U.S.C. 1085, 1088, 1141)

FOR OE USE ONLY	
DATE RECEIVED	DATE REVIEWED
REVIEWED BY	
REASON	

NAME OF INSTITUTION	2. ADDRESS *(Include Zip Code)*
3. EMPLOYER IDENTIFICATION NO. *(Assigned by IRS)*	4. OTHER OR FORMER NAMES OF THE INSTITUTION

IF A BRANCH OR CAMPUS OF AN INSTITUTION, GIVE NAME AND ADDRESS OF PARENT INSTITUTION OR CENTRAL OFFICE.

DATE POSTSECONDARY INSTRUCTION FIRST GIVEN *(Month, Day and Year)*

7. CONTROL *(Check one)*

☐ PUBLIC ☐ NONPROFIT* ☐ PROPRIETARY *(Private, for profit)*

**(If nonprofit is checked, attach a copy of the document from the IRS certifying the institution as one to which contributions are tax deductible under Section 501 (c) (3) of the Internal Revenue Code)*

IF A NONPROFIT INSTITUTION, DOES THE INSTITUTION TRAIN INDIVIDUALS FOR RELIGIOUS VOCATIONS OR TO BE TEACHERS OF RELIGION?

☐ YES ☐ NO

9. SUPPLY THE NAME OF THE AGENCY IN YOUR STATE BY WHICH THE INSTITUTION IS LEGALLY AUTHORIZED TO PROVIDE A PROGRAM OF EDUCATION BEYOND SECONDARY EDUCATION IN THE STATE. ATTACH A COPY OF CURRENT AUTHORIZATION.

10. ACCREDITATION AND ITS ALTERNATIVES

A. ☐ IF THE INSTITUTION IS ACCREDITED OR PREACCREDITED BY A NATIONALLY RECOGNIZED ACCREDITING AGENCY OR AGENCIES, CHECK HERE AND PROVIDE A COPY OR COPIES OF THE ACCREDITATION NOTICES. A LIST OF THE RECOGNIZED ACCREDITING AGENCIES IS ENCLOSED.

B. ☐ IF THE INSTITUTION'S application for ACCREDITATION IS ALREADY ACCEPTED BY A NATIONALLY RECOGNIZED ACCREDITING AGENCY, BUT THE INSTITUTION SEEKS ELIGIBILITY TO MEET A FUNDING DEADLINE OF THE OFFICE OF EDUCATION BASED, IN PART, ON THE COMMISSIONER'S MAKING AN ALTERNATIVE DETERMINATION OF SATISFACTORY ASSURANCE, CHECK HERE AND PROVIDE THE DOCUMENTS REQUESTED IN THE ATTACHED GUIDELINE.

C. ☐ IF THE ELIGIBILITY REQUEST IS PARTLY BASED ON THE THREE-INSTITUTIONAL-CERTIFICATION METHOD, CHECK HERE AND PROVIDE ON A SEPARATE PAGE THE INFORMATION REQUESTED IN THE ATTACHED NOTICE.

D. ☐ IF THE INSTITUTION IS APPROVED BY A STATE AGENCY RECOGNIZED BY THE COMMISSIONER AS A RELIABLE AUTHORITY AS TO THE QUALITY OF PUBLIC POSTSECONDARY VOCATIONAL EDUACTION IN YOUR STATE, CHECK HERE AND ATTACH A COPY OF THE APPROVAL NOTICE. A LIST OF THE RECOGNIZED STATE AGENCIES IS ENCLOSED.

E. ☐ IF THE INSTITUTION IS DESIGNATED AS AN "AREA VOCATIONAL SCHOOL" BY THE AUTHORIZED STATE BOARD UNDER THE VOCATIONAL EDUCATION ACT OF 1963, AS AMENDED, CHECK HERE AND ATTACH A COPY OF THE DESIGNATION NOTICE.

F. ☐ IF THE INSTITUTION IS A FLIGHT SCHOOL, OR IF IT OFFERS COURSES IN FLIGHT TRAINING, CHECK HERE. ATTACH A COPY OF THE INSTITUTION'S FAA CERTIFICATION.

OE FORM 1059, 3/78 *(FM Control No. 11)*

11. IF A PROPRIETARY INSTITUTION, LIST THE NAMES AND ADDRESSES OF THE OWNER, MAJOR STOCKHOLDERS, OR PARENT CORPORATION.	PERCENT OF OWNERSHIP
	%
	%
	%
	%

12. ARE COMMISSIONED SALESMEN EMPLOYED TO RECRUIT STUDENTS?

☐ YES ☐ NO

13. IS THERE ANY LEGAL ACTION PENDING AGAINST THE INSTITUTION BY A FEDERAL, STATE, OR LOCAL PUBLIC AGENCY? *(If yes, give details on a separate page)*

☐ YES ☐ NO

14. IF A PROPRIETARY INSTITUTION, IS THERE ANY LEGAL ACTION PENDING AGAINST IT BY ANY PRIVATE PARTY? *(If yes, give details on a separate page)*

☐ YES ☐ NO

15. PROVIDE THE FOLLOWING LITERATURE:

A. MOST RECENT CATALOG
B. FEE SCHEDULE *(If not included in catalog)*
C. STUDENT CONTRACT ON ENROLLMENT AGREEMENT
D. CURRENT PROMOTIONAL LITERATURE *(Proprietary institutions only)*

16. STATE WHERE THE FOLLOWING INSTITUTIONAL POLICIES CAN BE FOUND IN THE CATALOG OR OTHER ATTACHED LITERATURE, IF NOT IN THE TABLE OF CONTENTS. IF NOT INCLUDED IN THESE, ATTACH EXPLANATIONS ON A SEPARATE PAGE, REFERENCED BY ITEM NUMBER.

A. ADMISSION REQUIREMENTS, PAGE ______
B. MEASUREMENT OF SATISFACTORY STUDENT PROGRESS, PAGE ______
C. GROUNDS FOR DISMISSAL OF STUDENTS, PAGE ______
D. REFUND POLICY, PAGE ______

17. DOES THE INSTITUTION ADMIT ANY STUDENTS ON THE BASIS OF HAVING THE ABILITY TO BENEFIT FROM THE TRAINING OFFERED?

☐ YES ☐ NO

IF YES, EXPLAIN HOW THE INSTITUTION DETERMINES THAT A STUDENT HAS THE ABILITY TO BENEFIT FROM THE TRAINING OFFERED.

18. ACADEMIC CALENDAR

☐ SEMESTER
☐ QUARTER
☐ TRIMESTER
☐ CLOCK HOUR
☐ OTHER *(Explain)*

19. TO BE COMPLETED BY ALL PUBLIC AND OTHER NONPROFIT INSTITUTIONS WHICH PUBLISH A CATALOG OR SIMILAR MATERIAL. ALSO TO BE COMPLETED BY ALL PROPRIETARY INSTITUTIONS *which grant a degree* RECOGNIZED BY THEIR ACCREDITING AGENCY AND WHICH PUBLISH A CATALOG. ANY INSTITUTION NOT MEETING THESE CONDITIONS MUST COMPLETE ITEM 20 INSTEAD.

STATE WHERE IN THE CATALOG OR OTHER ATTACHED LITERATURE A LIST OF ALL DEGREES, DIPLOMAS, AND CERTIFICATES WHICH THE INSTITUTION AWARDS, AND THE LENGTH OF TIME IT TAKES TO COMPLETE EACH, CAN BE FOUND, IF NOT IN THE TABLE OF CONTENTS.

20. TO BE COMPLETED BY *all non-degree* PROPRIETARY INSTITUTIONS AND ANY OTHER INSTITUTION WHICH DID NOT COMPLETE ITEM 19.

A. LIST ALL THE PROGRAMS OFFERED BY THE INSTITUTION, THEIR LENGTH, AND THE APPROPRIATE ENROLLMENT *(If a column is not applicable, enter "NA")*

ENROLLMENT

NAME OF PROGRAM	LENGTH OF PROGRAM TIME		NUMBER OF HIGH SCHOOL GRADUATES AND G.E.D HOLDERS		NUMBER OF NON-HIGH SCHOOL GRADUATES WHO HAVE THE ABILITY TO BENEFIT FROM TRAINING OFFERED		NUMBER OF OTHERS	
	WEEKS	HOURS PER WEEK	FULL TIME	PART TIME	FULL TIME	PART TIME	FULL TIME	PART TIME

B. GIVE THE DATE ON WHICH THE INSTITUTION HAD THE ABOVE ENROLLMENT

DATE

I CERTIFY THAT TO THE BEST OF MY KNOWLEDGE AND BELIEF, THE INFORMATION PROVIDED IN THIS DOCUMENT IS TRUE AND CORRECT. I UNDERSTAND THAT PROVIDING FALSE OR MISLEADING INFORMATION MAY RESULT IN THE DENIAL OF THE INSTITUTION'S REQUEST FOR ELIGIBILITY ONCE IT HAS BEEN GRANTED. I ALSO UNDERSTAND THAT I MAY BE SUBJECT TO A FINE OF NOT MORE THAN $10,000 OR IMPRISONMENT FOR NOT MORE THAN 5 YEARS, OR BOTH, UNDER PROVISION OF THE UNITED STATES CRIMINAL CODE.

SIGNATURE OF RESPONDENT

DATE

TYPE NAME AND TITLE

TELEPHONE NUMBER *(Include area code)*

STATEMENT CONCERNING THE PROVIDING OF INFORMATION UNDER ITEM 11, PROPRIETARY SCHOOL OWNERSHIP, AND THE PRIVACY ACT OF 1974. Sections 435(c), 443(b), and 491(b)(3) of the Higher Education Act of 1965 (20 U.S.C. 1085, 42 U.S.C. 2753, and 20 U.S.C. 1088) authorize the Commissioner of Education to determine institutional and school eligibility for Office of Education programs. The information concerning the names and addresses of the owners of proprietary institutions and schools is provided voluntarily. The principal purpose for maintaining this information is so that the Commissioner may know who is responsible for Federal funds at the institution or school. This information is also routinely used to help the Commissioner contact institutional and school owners concerning changes in ownership, name, and address of the institution or school. Refusal to provide this information will result in a denial of the institution's or school's request for eligibility.

ACCREDITATION ALTERNATIVES
(Public and Nonprofit Institutions Only)

10. B. Procedure for qualification under the "Satisfactory Assurance Method."

Please submit:

1. Three copies of the institutional status report or self-study which has been accepted by a nationally recognized accrediting agency or association listed in the enclosed brochure, "Nationally Recognized Accrediting Agencies and Associations."

2. A copy of the response from that nationally recognized accrediting agency indicating that it has accepted the institution's status report or self-study as the basis for authorizing or scheduling a site visit by the evaluation team.

3. Three copies of the latest externally audited financial statement certified by a certified public accountant (the statement shall have been prepared within the last 12 months prior to any site visit scheduled by the U.S. Office of Education).

After the necessary documents are received, a site visit will be scheduled to the institution by a team of consultants and an OE staff member. The team will review the institution's current progress toward accreditation. The team report and the institution's application will be reviewed by the Advisory Committee on Accreditation and Institutional Eligibility which will make a recommendation to the Commissioner regarding the institution's progress. Based upon the various documents submitted and the Advisory Committee's recommendation, a determination as to whether or not there is satisfactory assurance that the institution will achieve accreditation within a reasonable period of time will be issued. The certificate of eligibility will contain a list of all appropriate programs which apply to this eligibility. Such determination may not extend beyond one year in duration, and may be renewed for only one additional year.

Any adverse action by the accrediting agency after a determination, including denial or deferral of status, may terminate the Commissioner's determination of satisfactory assurance.

ACCREDITATION ALTERNATIVES
(Public and Nonprofit Institutions Only)

10. C. Procedure for qualification under the "Three-Institutional-Certification Method."

Please submit:

1. The names and addresses of not fewer than three institutions of higher education accredited by an accrediting agency or association currently listed in the enclosed brochure, "Nationally Recognized Accrediting Agencies," each of which while so accredited and not more than 5 years prior to such submission has accepted the transfer of credits (and continues to accept such credits) earned at such unaccredited institution.

2. The names and dates of transfer of their credits, of at least three students or graduates of the applicant unaccredited institution (a total of 9 student names) who have subsequently been enrolled in each of such accredited institutions.

Upon receipt of this information, corroboration will be requested from each accredited institution identified by the applicant unaccredited institution that the credits earned at such unaccredited applicant institution by the students named in the application have been (and credits so earned continue to be) accepted as if transferred from an accredited institution. In the event all or part of such information cannot be verified, the applicant unaccredited institution will be advised to submit additional information.

Upon verification of all the requisite information, the institution will be advised of its eligibility to participate in Office of Education programs which apply to this eligibility, for a period not to exceed three years. IN ORDER TO REMAIN ELIGIBLE, INSTITUTIONS APPROVED UNDER THIS PROCEDURE MUST SUBMIT NEW INFORMATION AT LEAST SIX MONTHS PRIOR TO THE EXPIRATION DATE OF ELIGIBILITY.

NOTICE

1. No application for Department of Health, Education, and Welfare assistance is approved unless the applicant has on file with the Department an accepted assurance of compliance with Title VI of the Civil Rights Act of 1964 (Public Law 88-352), on Form HEW 441. If a copy of Form HEW 441 is NOT already on file with the Department, it must be submitted with this application.

2. No application for Department of Health, Education, and Welfare financial assistance under any education program or activity is approved unless the applicant has on file with the Department an accepted assurance of compliance with Title IX of the Education Amendments of 1972 (Public Law 92-318), on Form HEW 639A (formerly Form HEW 639). If a copy of Form HEW 639A is NOT already on file with the Department, it must be submitted with this application.

3. Department of Health, Education, and Welfare policy requires that if any phase of THIS project will involve subjecting individuals to the risk of physical, psychological, sociological, or other harm, certain safeguards must be instituted and an assurance must be filed on Form HEW 596. If there is any question about application of requirements for protection of human subjects to this project, further information should be requested from the Office of Protection from Research Risks, National Institute of Health, DHEW, 9000 Rockville Pike, Bethesda, Maryland 20014.

4. No application for Department of Health, Education, and Welfare assistance is approved unless the applicant has on file with the Department an accepted assurance of compliance with Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), on Form HEW 641. If a copy of Form HEW 641 is NOT already on file with the Department, it must be submitted with this application.

NOTE: A copy of each of the four forms enumerated above (Forms HEW 441, 639A, 596, and 641) is attached hereto for your convenience in the event that you may be required to file one or more of them in accordance with the ABOVE instructions. If, however, 1, 2, and/or4 of the above assurances have been submitted to either the Office of Education (OE) or the Department, another original or copy need not be submitted nor will any OE program insist upon such a duplicate submission as a consideration of any application.

ATTACHMENT B

EXPLANATION OF AID PROGRAMS AND THEIR ELIGIBILITY REQUIREMENTS

ATTACHMENT B

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
BUREAU OF POSTSECONDARY EDUCATION
WASHINGTON, D.C. 20202

Our Reference: BPE:DEAE:IEB:OSES-1

To: Officials of postsecondary occupational schools seeking eligibility to participate in the Basic Educational Opportunity Grants Program, the Guaranteed Student Loan Program, and other U.S. Office of Education administered financial aid programs.

The enclosed material regarding Office of Education financial aid programs is being sent to you as a result of your recent request. It contains a brief explanation of each aid program and its eligibility requirements. If your school is interested in participating in any of these programs it must first establish its eligibility and then apply for funds in accordance with program procedures.

Proprietary institutions wishing to establish their eligibility must obtain accredited status by an accrediting agency recognized by the U.S. Commissioner of Education. A list of these agencies is enclosed. Public and nonprofit schools may establish their eligibility on the basis of preaccredited, or accredited status, or on the basis of alternatives to accreditation. These are listed on Attachment D, item 5(b) or 5(c). If your school is interested in pursuing one of these alternatives, please contact our office for further information.

Upon receipt of information that the school has obtained accredited or preaccredited status, we will send you our Application for Eligibility. This application must be completed and returned to our office. The application will be reviewed against the various eligibility requirements specified for each program and you will be sent our eligibility certification letter which lists all programs available to your school.

Thank you for your interest in our programs. Please feel free to contact us if you have any questions concerning the enclosed materials.

Sincerely yours,

Ruth W. Crowley

Ruth W. Crowley, Chief
Occupational School Eligibility Section
Institutional Eligibility Branch
Division of Elgibility
and Agency Evaluation

Enclosures

I. The Higher Education Act of 1965, as amended, authorized the following student financial aid programs which are available to postsecondary occupational schools which meet the definition of an "institution of higher education" or a "proprietary institution of higher education."

1. BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

The purpose of this program is to provide funds to qualified students to assist them in obtaining the benefits of an undergraduate postsecondary education. Students receive basic grant awards by filing an Application for Determination of Basic Grant Eligibility. These applications are available at all high schools and local libraries. Every eligible student enrolled in an "eligible institution" is entitled to a basic grant in accordance with his or her Student Eligibility Report. According to the law, the amount of the grant for an academic year is $1[illegible]0 $1,6 less the expected family contribution and shall not exceed 50 percent of the actual cost of attendance for the academic year. The amount of the grant can also be reduced if sufficient funds are not available to fully fund all entitlements. Each eligible institution can distribute the grants to its own students; however, if it does not wish to do so, other arrangements will be made by the Office of Education.

Eligibility Requirements

Proprietary schools - See Attachment C
Public and nonprofit schools - See Attachment D

2. SUPPLEMENTAL EDUCATIONAL GRANT PROGRAM

The purpose of this program is to provide supplemental grants to qualified students who do not have sufficient financial means or aid to obtain an undergraduate postsecondary education. The program is administered by the eligible institution. The amount of each student's SEOG award is determined by the institution and cannot be more than $1,500 or one half the student's total financial aid provided by the institution, whichever is less.

Eligibility Requirements

Proprietary schools - See Attachment C
Public and nonprofit schools - See Attachment D

3. COLLEGE WORK-STUDY PROGRAM

The purpose of this program is to provide employment opportunities to students with the greatest need for assistance in meeting their postsecondary educational expenses. Federal grants are made to participating institutions to pay up to 80 percent of the student employee's wages. The institution is responsible for the day-to-day operation of the program. This includes job development; selection, placement, and supervision of students; payments to students; maintence of records; and the preparation of required reports.

Eligibility Requirements

Proprietary schools - See Attachment C
Public and nonprofit schools - See Attachment D
Public area vocational schools - These schools are automatically eligible to participate in the program by legislative mandate.

4. NATIONAL DIRECT STUDENT LOAN

The purpose of this program is to provide long-term, low-interest loans to qualified students in need of financial assistance to obtain a postsecondary education. Students must attend the institution on at least a half-time basis. The program is administered by the individual school which is responsible for selecting students to receive loans and for collecting the loans. The program provides for partial or total loan cancellation for students who enter certain public service fields. Schools participating in the program must contribute 10 percent to their institution's loan fund. The Federal Government contributes 90 percent to the fund.

Eligibility Requirements

Proprietary schools - See Attachment C
Public and nonprofit schools - See Attachment D

5. SPECIAL PROGRAMS FOR STUDENTS FROM DISADVANTAGED BACKGROUNDS :
Talent Search, Upward Bound, Special Services for Disadvantaged Students.

The purpose of these programs are to assist in enabling youths from low-income families who have academic potential, but who may lack adequate secondary school preparation or who may be physically handicapped, to enter, continue, or resume a program of postsecondary education. The programs are administered through grants and contracts with eligible institutions, professional and scholarly associations.

Eligibility Requirements

Proprietary schools - See Attachment C
Public and nonprofit schools - See Attachment D

6. COOPERATIVE EDUCATION PROGRAM

The purpose of this program is to aid institutions in developing programs which allow students to alternate periods of full-time study with full-time employment in an area related to their academic or occupational objective. The periods of employment also enable the student to obtain funds to meet educational expenses. This program is not to be confused with the College Work-Study Program in which the student's financial need is a prime requisite for participation. Federal funds in the form of contracts and grants are avaliable to help an institution develop a program during its first five years of existence. The funds can be used for planning, expanding, or strengthening programs; training program personnel, or doing related research of national import.

Eligibility Requirements

Public and nonprofit schools - See Attachment D

7. VETERANS COST OF INSTRUCTION

The purpose of this program is to help an institution defray the cost of instructing large numbers of veterans enrolled in undergraduate programs. Institutions participating in the program must establish an office to handle veteran's affairs which include vetezans' outreach, recruitment, special education programs, and educational, vocational and personal counseling.

Eligibility Requirements

Proprietary schools are not eligible to participate in this program.
Public and nonprofit schools - See Attachment D

II. The Higher Education Act of 1965, as Amended, authorizes the following student financial aid program which is available to postsecondary occupational schools that meet the definition of a "vocational school" or an "institution of higher education."

GUARANTEED STUDENT LOAN PROGRAM

The guaranteed loan program provides students with the opportunity to borrow money for higher education or occupational training in postsecondary schools which offer business, trade, technical or other vocational training. The program assists eligible students in obtaining loans from private commercial lenders. The Federal Government insures the loan's repayment and pays the interest or loans made to certain eligible students while in school and during authorized periods of deferment. In some States the program is operated through a private or State agency while in others it is operated directly by the Federal Government.

Eligibility Requirements

Vocational school means a business or trade school, or technical institution or other vocational school in any State, which:

(1) admits as regular students only persons who have completed or left elementary or secondary school and who have the ability to benefit from the training offered by such institution;

(2) is legally authorized to provide, and provides within that State, a program of postsecondary vocational or technical education which is designed to provide occupational skills more advanced than those generally provided at the high school level to fit individuals for useful employment in recognized occupations, and

(3) provides no less than 300 clock hours of classroom instruction or its equivalent, or in the case of a program offered by correspondence, requires not less than an average of 12 hours of preparation per week over any 12 week period and completion is not less than 6 months;

(4) has been in existence for 2 years, and

(5) is accredited by a nationally recognized accrediting agency or association approved by the Commissioner of Education for this purpose or is a public postsecondary vocational institution which is approved by a State agency listed by the Commissioner of Education for this purpose (see enclosed lists).

Institutions of higher education - See Attachment D
Flight schools - See Attachment E for additional requirements.

III. The Vocational Education Act of 1963, as Amended, authorizes the following program to postsecondary occupational schools which meet the definition of a "private vocational training institution."

VOCATIONAL EDUCATION ACT OF 1963, CONTRACTUAL GRANTS

This program provides that, under certain conditions, State Directors of Vocational Education can enter into contractual arrangements with private occupational schools to provide postsecondary training programs which are designed to prepare students for advanced or highly skilled technical occupations. After establishing its eligibility to participate in the program, the school applies to the State Director of Vocational Education in its State capital for such contractual grants.

Eligibility Requirements

Proprietary and private nonprofit schools - See the definitions of a vocational school under Section II

ATTACHMENT C

ELIGIBILITY REQUIREMENTS FOR PROPRIETARY INSTITUTIONS AND FOR PUBLIC AND PRIVATE NON-PROFIT INSTITUTIONS

ATTACHMENT C

ELIGIBILITY REQUIREMENTS
PROPRIETARY INSTITUTIONS OF HIGHER EDUCATION
Higher Education Act of 1965, as Amended (Section 491 (b)(3))

The term "proprietary institution of higher education" means a school which:

(1) (a) provides not less than a six-month program of training to prepare students for gainful employment in a recognized occupation, or

(b) in the case of a program offered by correspondance, provides a program of study which consists of not less than 600 clock hours of training,

(2) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate,

(3) is legally authorized within its State to provide a program of education beyond secondary education,

(4) is accredited by a nationally recognized accrediting agency or association approved by the Commissioner of Education for this purpose (see enclosed list),

(5) has been in existance for at least two years, and

(6) is not a public or other nonprofit institution.

ELIGIBILITY REQUIREMENTS
INSTITUTIONS OF HIGHER EDUCATION
Higher Education Act of 1965, as Amended (Section 1201 (a) and 438(b))

The term "institution of higher education" means an educational institution in any State which:

(1) admits as regular students:

(a) only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, or

(b) persons who are beyond the age of compulsory school attendence in the State in which the institution is located and who have the ability to benefit from the training offered by the institution,

(2) is legally authorized within such State to provide a program of education beyond secondary education,

(3) (a) provides an educational program for which it awards a bachelor's degree, or

(b) provides not less than a two-year program which is acceptable for full credit towards such a degree, or

(c) any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation,

(4) is a public or other nonprofit institution, and

(5) (a) is accredited, or holds preaccredited status, with a nationally recognized accrediting agency or association approved by the Commissioner for this purpose (see enclosed list), or, if not so accredited,

(b) is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or

(c) is an institution whose credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited, or

(d) is a public postsecondary vocational institution applying for student assistance programs which is approved by a State agency listed by the Commissioner of Education for this purpose (see enclosed list).

APPENDIX B

PROGRAM MONITORING: AUDITS

PROGRAM MONITORING: AUDITS

What procedures are used to conduct an audit?

In 1966, the HEW Audit Agency recognized that budget constraints precluded a detailed monitoring of all the Department's grantees and contractors by Federal auditors. Accordingly, in 1967, the Audit Agency embarked on a joint effort with the Office of Education to encourage institutions to exercise a full measure of financial management which included the utilization of non-Federal auditors (Certified Public Accountants, State Auditors, and other Licensed Public Accountants) for audits of the National Direct Student Loan (NDSL), College Work-Study (CWS) and Supplemental Educational Opportunity Grant (SEOG) programs.

This effort has resulted in the utilization of non-Federal auditors by approximately 1,000 of the 3,200 institutions participating in the Campus-Based programs in 1977. Beginning with the 1976-77 program year, Federal regulation required the auditing of the Campus-Based programs by non-Federal auditors at least once every two years at each institution. Similar audit requirements have been proposed for the Basic Educational Opportunity Grant (BEOG) and the Guaranteed Student Loan (GSL) programs. It is anticipated that the audit requirements for these programs will become effective during the 1978-79 program year.

The regulation indicates that the audit may be performed by either an independent, private accounting firm or by an internal audit staff of the institution, with assurance that the latter will conduct an independent and objective audit. If however, the auditor's ability to perform his or her work and report its results impartially due to personal, external or organizational factors, he or she should decline to perform the audit or should indicate in the report that he or she was not fully independent.[1/] Further, the regulation

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[1/] Federal Register, Vol. 43, No. 155, Thursday, August 10, 1978, p. 35632.

stipulates that if significant deficiencies are disclosed in the 1977 audit, the institution may be requested to expand the audit coverage to a maximum of five years, which is the limitation established by regulation on the retention of records. Although institutions must bear the costs of the audits, they may use the administrative expense allowance they receive under the Campus-Based programs to pay for audit coverage. To do this, however, an institution must demonstrate that the amount claimed for administrative expenses has been used first to implement student consumer information activities.[1/]

PROPOSED REGULATION

Additional requirements have been proposed which will facilitate the audit process. These requirements specify that:

(1) any individual or firm conducting an audit must provide the Director of the HEW Audit Agency or the Commissioner of Education access to records or other documents necessary to review the results of the audit;

(2) the institution maintain on a current basis records which reflect the qualifications of students as they pertain to admission requirements (i.e., student's admission to and enrollment status at the institution; the program and courses in which the student is enrolled; whether the student is making satisfactory progress towards completion of study; any refunds due or paid to the student; the placement of the student in a job by the institution if the institution provides a placement service and the student utilizes it; and the amounts of financial aid received by the student at the institution or at institutions previously attended by the student);

(3) records must be readily available for review by the Commissioner at the geographic location where students will receive their degrees or certificates; and

(4) the institution must maintain a separate bank account for Federal funds received under the Campus-Based and Basic Grant programs which is subject to audit by the Commissioner.

[1/] BSFA Bulletin, February 1978, pp. 6-7.

The proposed regulation also addresses the issue of audit exceptions and repayments. If the HEW Audit Agency questions an expenditure or the institution's compliance with any requirements as a result of an audit, the Agency will notify both the Commissioner and the institution of the questioned expenditure or procedure. If the institution believes the expenditure or procedure to be appropriate, it must prepare a written justification and submit it to the Commissioner within 35 days of the date of the Audit Agency's notification to the institution. Based upon the audit findings and the institution's response, the Commissioner will determine the amount of funds improperly spent, if any, and will instruct the institution as to the manner of repayment. Payment is to be made within 60 days of the Commissioner's notification, unless the Commissioner grants a longer repayment period.[1]

ROLE OF THE HEW AUDIT AGENCY

The role of the HEW Audit Agency is primarily one of coordination and overview of the efforts of non-Federal auditors to ensure that they adequately adhere to Federal regulations. In those instances where there is knowledge of serious problems or at the request from the Office of Education, Office of Investigations, DHEW, or other Department officials, the Audit Agency will perform the audit.

The audits are to be conducted according to the audit requirements specified in audit guides prepared by the HEW Audit Agency in association with the American Institute of Certifed Public Accountants and the Office of Education. Upon completion of the audits, copies of the audit report are submitted to the HEW Audit Agency for review, approval, and transmittal to the Deputy Commissioner, Bureau of Student Financial Assistance. On a selective basis and as the need dictates, the HEW Audit Agency reviews the working papers of the independent auditors and visits certain institutions to evaluate the management of the Federal student financial aid programs and to determine whether corrective action has been taken.

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[1] Federal Register, Vol. 43, No. 155, Thursday, August 10, 1978, pp. 35624-35634.

In anticipation of the impact that the current audit requirement will have on the Office of Inspector General and the Office of Education, beginning with the program year June 30, 1978, the Audit Agency has developed a plan which is intended to result in good quality, informative reports from non-Federal auditors. The plan calls for the development of various components which will be merged into a system to control and monitor the work of non-Federal auditors. The components are:

- revision of the audit guide on Campus-Based programs;
- development of audit guides on the BEOG and GSL programs;
- development of training materials for a one-day training course;
- presentation of the training course, a jointly sponsored seminar by the HEW Audit Agency and the American Institute of Certified Public Accountants, Continuing Professional Education Division; and
- development of a tracking and monitoring computerized system. The system will have the capability to track the universe of about 8,000 institutions, name of firms conducting the audits, findings, programs reviewed, status of audits, and fees charged for audits.

The components are in varying stages of development. It is estimated that it will take 12 to 18 months before the system is completely operational.

Additionally, the Government Accounting Office (GAO) performs very specialized audits in response to an issue which the Congress has asked to be investigated. In these instances, institutions are selected for an audit to provide a representative sample. For example, if the Congress desires a report on NDSL delinquency rates, all types of institutions will be represented; whereas if they wish a report on Tripart funds awarded to Football players, proprietary vocational schools would be excluded from the sample. An HEW audit may be called if, in the process of investigation of the specific issue, GAO discovers areas which it feels warrant more attention.

SCOPE OF AUDIT

The audits are to be made in accordance with financial need compliance elements of the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General of the United States. The purpose of the audit is to formulate an opinion on the basic financial statements as a whole and to ascertain whether the student financial aid programs were administered in accordance with applicable laws, regulations, terms of agreements and USOE directives. Thus, the program audit serves as the primary vehicle for monitoring the fiscal integrity of an institution's transactions and reports, and whether such actions are in compliance with applicable laws and regulations. Specifically, the objectives of the audit are to determine whether:

- "the institution has established procedures for coordinating assistance provided under all Federal student aid programs in which it participates;
- the institution has established systems of internal control, accounting, and reporting, and has exercised proper controls in the operation of and accounting for the funds provided for the programs;
- the institution has established and has followed policies and procedures to ensure that the funds provided are being used only for the purposes set forth in the institution's agreement with the Commissioner of Education and that the policies and procedures conform with the applicable HEW directives; and
- the institution has established a control and a self-evaluation system intended to monitor and evaluate the programs to determine if their objectives are met."[1]

THE AUDIT PROCESS

Before embarking on an audit assignment, the auditors notify the institution's officials of the proposed date of arrival and arrange for an audit entrance conference. At the conference, audit staff discuss the purpose and scope of the audit and outline the types of documentation they will need as well as the personnel with whom the auditors may need to confer. Included in the materials which the auditor should request from the institution are copies of the administrative memoranda, regulations, manuals, applications and reports. (See Attachment A for a listing of these reference materials.) "These materials serve both verification and reference purposes during the audit in that they furnish the auditor with the guidelines in effect for the Period(s) audited."[1] In addition, auditors should review the most recent audit reports issued on the Campus-Based programs and note any findings reported. This serves as a mechanism for follow-up on the most recent audit findings in order to determine whether corrective action has been taken by the institution.

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[1] Department of Health, Education, and Welfare, Audit Agency, Audit Guide, Washington, D.C., May 1976, p. 3.

"In brief, an audit examines the following areas:

1. Correction of deficiencies noted in prior audit reports.
2. Comparison of trial balance with information submitted on the fiscal operations report, statement of changes in fund balance and analysis of student loans receivable.
3. Review of internal controls. Adequacy of written procedures.
4. Determination of whether monthly cash reconciliation has occurred, and corrections of such.
5. Written communication with borrowers to confirm loan balances, dollars earned in CWS, and grants awarded.
6. Determination of whether students have received awards in excess of need, whether documentation in files is adequate, and whether refunds have been processed in a timely manner.
7. Review of cancelled checks to verify agreement with payroll vouchers and promissory notes.
8. Inspection of institutional collection practices.
9. Inquiry into eligibility of student participants.
10. Verification of institutional expenditures under maintenance of level provisions."[2]

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[1] Audit Guide, Op. Cit., p. 3.

[2] Alice T. Diamond, NATTS Student Financial Aid Tool Kit, National Association of Trade and Technical Schools, Washington, D.C., May 1977, pp. 5-6.

Toward the end of the audit, an exit conference is held with institutional officials to discuss tentative audit findings and recommendations. A draft audit report is made available to these officials for their information and for use in preparing for the exit conference. At the conference, the institutional officials must prepare written comments on each of the audit findings. Further, data on any corrective action the institution may have taken or are taking will be determined at this time.

If an audit discloses a matter which the auditor feels requires immediate action by an official of DHEW, the DHEW Regional Audit Director is contacted and apprised of the situation. The matter involved should subsequently be included in the audit report along with the status of actions taken or resolved. Any indication of possible fraud encountered during an audit is referred directly to the Office of Investigations; the DHEW Regional Audit Director will advise how it is to be reported.

A final audit report which considers the institutional official's comments is then prepared and issued not later than 120 days after the end of the program year, unless special circumstances warrant an extension of the issue date by DHEW. If additional time is needed, the auditor must advise the appropriate regional office of the HEW Audit Agency. Thirteen copies of the audit report must then be submitted to the appropriate DHEW Regional Audit Director. An illustrative example of a final audit report is presented in Attachment B.

Significant and sensitive reports are reviewed in regional headquarters before issuance. The Regional Audit Director issues reports addressed to top HEW and OE officials. The first priority in audit reporting is to alert top management officials of significant audit findings or potential problem areas--usually before the final report is released--either through:

- priority action memoranda to immediately alert concerned officials to particularly significant or sensitive findings, or
- information memoranda on significant individual reports in the final stages of preparation

How are institutions selected for an audit?

Institutions which are audited by the HEW Audit Agency are selected by random sampling techniques based upon a planning process which allocates audit resources to areas most in need of attention--identifying specific audits, estimated person-days per assignment, and time frames for completion. The following factors are taken into account in the selection of institutions for an audit:

- Sensitive areas (involving strong news, Congressional or pressure group interest);
- Known, significant problems;
- Large dollar amounts involved; and
- New programs (i.e., programs in existence for two years or less)

On the basis of these factors, a listing of institutions to be audited is generated which is then supplemented by those which USOE program personnel and other high Department officials feel warrant quick attention.

The HEW Audit Agency conducts audits only when there are indications of fraud and abuse--indications of significant manpower needs beyond the capabilities of independent auditing entities. Audit operations are conducted on a highly decentralized basis. Auditors are located where the work is. While there is a headquarters' staff in Washington, D.C., the majority of the staff is located at each HEW regional office and at 42 branch offices.

What is the procedure for rectifying audit exceptions?

HEW Audit Agency's Role

When an audit is conducted by a non-Federal auditor, an audit report containing findings and recommendations is submitted to the HEW Audit Agency in the region having responsibility for the institution. There, the report undergoes a desk review; and, if no deficiencies are found, the regional personnel attach a letter of transmittal and distribute it to other departments within the region. Copies of the letter are also sent to the president of the institution and to the Deputy Commissioner, BSFA. In addition, copies of the findings and recommendations are sent to the Audit Review Branch, Division of Certification and Program Review, BSFA. If problems are found at the time of the desk review, the report is sent back to the non-Federal auditor for supplemental information or revision. In addition to the desk review, the Audit Agency has adopted a quality assurance program whereby three percent of the audit reports first undergo a desk review, and then the auditors are contacted by telephone to go over the work papers about the institutions.

The HEW Audit Agency in the Region assigns an audit control number (ACN) to each audit which is used in tracking the audit's resolution. The Audit Agency then enters the audit into the HEW Audit Tracking System, a computerized system which contains information on deficiency and non-deficiency audits and which generates monthly reports. Specific finding codes have been established for entering audit deficiencies into the HEW Audit Tracking System, including both general program and specific program deficiencies. (A listing of these finding codes is presented in Exhibit B.1.) In addition, the dollar amount in question is entered into the system along with any actions taken or planned to resolve the deficiencies.

EXHIBIT B.1: FINDING CODES - STUDENT FINANCIAL AID AUDITS

General Program Fraud and Abuse

1301	Federal Funds improperly used (commingling with institutional funds/ use for general operating expenses; use for other unauthorized expenses)
02	Previously reported corrective action not adopted
03	Violation of conditions of participation by institution
04	Violation of conditions of participation by students

General Program Regulatory Violations

1308	Administrative expense claim exceeds limit
09	Maintenance of minimum level of effort not met
10	Students charged nonuniform tuition and fees
11	Other regulatory violations or deficiencies

General Program Accounting Deficiencies

1315	Records inadequate for audit
16	L of C report not reconcilable to other records
17	Cash balances in excess of need
18	Audit disagrees with financial report
19	Subsidiary accounts inadequate
20	Student ledgers inadequately or improperly posted
21	Interprogram transfer improper or excessive
22	Other accounting deficiencies

General Program Administrative Deficiencies

1323	Written operating procedures not available
24	Written refund policy lacking or not followed
25	Institution not diligent in obtaining refunds
26	Other administrative deficiencies

General Program Student Records Deficiencies

1330	Student need documentation inadequate
31	Affidavit of educational purpose not on file
32	Other student records incomplete or missing

General Program Award Processing Deficiencies

1336	Awards to ineligible students
37	Awards to students in ineligible programs
38	Awards miscalculated
39	Awards made for less than program minimum
40	Awards exceed program maximum
41	Other awarding deficiencies

SEOG Specific Deficiencies

1401	Awards not sufficiently matched
02	Signed acknowledgement of award not on file
03	Direct transfer of funds between Iy-Cy or Cy-Iy

CWS Specific Deficiencies

1406	Federal share of compensation exceeds 80 percent
07	Institutional 20 percent untimely or not provided
08	Federal share of earnings not paid by check
09	Students work over 40 hours/week
10	Students employed by ineligible agency
11	Records not available to support wages paid

NDSL Specific Deficiencies

1415	Delinquency rate excessive
16	Collection procedures inadequate
17	Interest computation erroneous
18	Cancellations inadequately documented
19	Inst. Capital contribution untimely or not provided
20	Promissory notes incomplete or absent
21	Promissory notes not properly safeguarded
22	Sum of loans exceed allowable maximum
23	Loans exceed maximum limits during first two years
24	Loans made to nursing students

BEOG Specific Deficiencies

1428	Awards not paid in at least 2 equal payments
29	Award credited to student without signed receipt
30	SER data not verified with other student data

The Role of the Audit Review Branch

Audit control clerks within the Audit Review Branch log in the audits, by region, on a monthly control sheet and on a card file. The card file contains one card per school per program, with each program assigned a different color card. Each card contains room for a summary of audit results, dates for related correspondence, and notes on actions taken by the institution.

Personnel within the Audit Review Branch then review the audit reports in which deficiencies were found[1/] for additional problems by checking against the FISCOP Report, the Form 27 and with DFAFS. Next, a letter and a summary of the Branch's review of the audit report is sent to the institution. Part A of the summary report outlines: findings and recommendations; the institutional response; OE's position and/or governing regulation with respect to a specific finding or recommendation; and other OE comments and actions required of the institution in order to comply with program regulations. Part B of the summary contains a listing of any necessary monetary adjustments and reimbursements. (An illustrative example of a summary report is found in Attachment C.)

The institution must send a written reply to the Deputy Commissioner, BSFA, specifying what actions will be taken to rectify the problems. An "action official," the Chief of the Audit Review Branch, has been designated to determine whether such actions will be sufficient and to coordinate the resolution of audit findings. Finally, the institution must implement all required actions within 30 days.

When resolution occurs, an Audit Clearance Document is routed from the Audit Review Branch to the Audit Liaison and Coordination Staff, USOE, to the HEW Audit Tracking System where it is entered.

[1/] Exception-free audits are allowed to accumulate without review; however, when an exception is found at an institution with no prior exceptions, previous exception-free audit reports are pulled and examined.

(See Exhibit B.2.) At the same time, a copy of the document is distributed to the audit control clerk within the Audit Control Branch who notes the date of resolution on the file card and on the monthly control sheet and files it, by date, in the audit file. Finally, copies of the closing document are sent to the institution and the region.

What has been done to insure that the actions needed to rectify an audit exception have been implemented?

No steps are taken by the Audit Review Branch to ensure that the actions needed to rectify an exception are actually implemented; rather, the Branch relies on the institution's word from its written correspondence. Future audits and program reviews can confirm whether corrective action has been taken.

With respect to the audits performed by the HEW Audit Agency in which deficiencies are found, a small number of follow-up audits, selected at random, are conducted to determine whether corrective action has been taken. Reports are then prepared on each such follow-up review in a manner similar to regular audits.

By institution type, what percentage of the institutions had audits in the last three fiscal years conducted by a CPA? By a state agency? By DHEW? By others?

During the period 1974 through April 1978, 4,651 audit reports were issued on the student financial aid programs. Of this total, 4,397 were prepared by non-Federal auditors and 254 by HEW staff. Table B.1 presents the number of audit reports issued by each auditing entity for each region. No data are available by institution type.

Develop a typology of audit results by institution type. What percentage of institutions that had audits in the last three fiscal years had results that fall into each category?

A total of 4,148 audit reports were issued during the 40 month period between July 1, 1974 through November 30, 1977. Of this

EXHIBIT B.2

AUDIT CLEARANCE DOCUMENT

Audit Control No. ________________

Date: ________________

Cognizant POC OE Program Student Financial Aid

Other POCs None

Grantee/Contractor ________________

Audit Findings and/or Recommendations:

1421-Promissary notes not properly safe guarded.

Amounts Recommended for Financial Adjustment:

Element of Cost	Amount Recommended for Financial Adjustment	Settlement By OA
	$ None	$
	$ None	$

Action Taken on Finding:

The institution is currently retaining all NDSL notes in a fireproof vault.

/s/ Gerald E. Gank
Signature of Originating Official

/s/ William H. Hassler
Signature of Approving Official

TABLE B.1

Summary of Audit Reports Issued
Student Financial Aid Programs
1974 Through April 1978

Region	CPA	State Auditor	HEW	Other Federal Agencies	Total
I	267	102	16	8	393
II	388	2	45	19	454
III	666	42	18	3	729
IV	329	214	19	2	715
V	845	165	41	8	1,059
VI	329	11	42	7	389
VII	341	2	27	-0-	370
VIII	84	22	13	1	120
IX	234	7	13	5	259
X	102	40	14	1	157
Subtotal	3,736	607	248	54	4,645
Internal Reports	0	0	6	0	6
Total	3,736	607	254	54	4,651

NOTE: Beginning with the year 1973, a consolidated report on all SFA programs audited was issued in lieu of separate reports on each program. Therefore, the total number of programs actually audited will be greater than audit reports issued total.

SOURCE: HEW AUDIT AGENCY

total, 3,927 were prepared by non-Federal staff and 221 were issued by HEW staff. Approximately 50 percent of the audit reports contained findings. These reports contained 4,894 findings totaling $36.7 million. Most of the findings noted were of a procedural type, dealing with such items as weaknesses in the institutions' accounting systems, internal controls, payroll practices and financial reporting. The more serious problems were noted in the audits performed by HEW staff and tended to be in the area of the institutions' financial stability, improper use of Federal funds, student eligibility determinations, awarding procedures and refund practices. The 221 reports issued by the HEW Audit Agency account for 72 percent of the total funds questioned during the 40 month period ($26.5 million out of $36.7 million).

Table B.2 summarizes the audit results contained in 77 of the 221 reports issued by the HEW staff. These 77 reports were selected on the basis of the use of 50 person-days or more to complete the assignment. As illustrated in this table, the types of deficiencies noted are applicable to all types of institutions, with the exception of problems in the area of refund policies and practices which were found in proprietary vocational schools.

No data are available on the results of the remaining audits conducted during this period of time.

What is the average time to rectify an exception for each category of the above audit result typology?

While some variation may exist in the resolution of audit exceptions based upon the severity of the deficiency, no information is available on the length of time needed to rectify specific exceptions. However, timely resolution of all audit exceptions is measured against the yardstick of six months from the date of report issuance.

TABLE B.2

Summary of Audit Results on
77 Audit Reports Issued During
July 1974 through November 1977

Type of Deficiency	4 Year Institution	2 year Institution	Proprietary Vocational Schools	Total Occurrences	Percentage of Occurrences
Number of Institutions	20	7	50	77	
Eligibility and Awarding Procedures	14	7	18	39	51%
Internal Controls, Accounting Systems and Record Maintenance	15	5	15	35	45%
Refund Policies and Procedures	-	-	34	34	44%
Due Diligence	12	4	14	30	39%
Institutional Matching	8	5	9	22	29%
Financial Stability in Question or Institution Closed	2	-	20	22	29%
Federal Funds Improperly Used/Unaccounted For	5	1	11	17	22%
Federal Cash Balance - Excessive	4	2	8	14	18%
Ineligible work Projects and/or Questionable College Work Study Payments	7	2	3	12	16%
Students in Ineligible Programs	-	-	7	7	9%
Recruiting Practices	-	-	7	7	9%
Inducements to Lending Institutions	-	-	5	5	6%

SOURCE: HEW AUDIT AGENCY

What is the average cost to OE of processing an exception-free audit?
What is the average cost to OE of processing an audit with exceptions?

During the period FY 1975 through FY 1977, a total of 575 person-years of audit effort was expended (see Table B.3.) The HEW Audit Agency's estimate of the cost of audit-related activity is 30 person-days per institution.

TABLE B.3

Schedule of total person-years of audit effort expended FY 1975 through FY 1977 and the budgeted person-years for FY 1978 Student Financial Aid Programs

PERSON-YEARS OF AUDIT EFFORT

CAMPUS-BASED AND BEOG	FY 1975	FY 1976	FY 1977	Total	Planned FY 1978
HEW Audit	37	33	18	88	28
Independent Accountants	135	195	157	487	300
Total	172	228	175	575	328

SOURCE: HEW AUDIT AGENCY

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ATTACHMENT A

REFERENCE MATERIALS

ATTACHMENT A

REFERENCE MATERIALS

1. National Defense Education Act of 1958 (P.L. 85-864), as amended.
2. Higher Education Act of 1965 (P.L. 89-329), as amended.
3. Regulations for the NDSL and CWS Programs, as amended.
4. The SEOG Regulations, dated October 1974.
5. The Manuals for the programs; NDSL Program Manual of Policies and Procedures, 1967, as revised: CWSP Manual, 1968, as revised.
6. The institutional agreement which established the programs at the institution.
7. The application from the institution to participate in the programs -- OE Form 1036.
8. The Assurance of Compliance -- Form HEW 441.
9. Grant letters from the Office of Education.
10. The program report -- OE Form 1152-2 (NDSL); 1152-3 (SEOG); 1152-4 (CWS).
11. Education Amendments of 1972 (P.L. 92-318).
12. Standards for Audit of Governmental Organizations Programs, Activities, and Functions, U.S. General Accounting Office (GAO), 1972 (as reprinted in 1974).
13. Accounting, Recordkeeping and Reporting by Colleges and Universities for Federally Funded Student Financial Aid Programs, DHEW, 1974.
14. Auditing Standards Established by the GAO; Their Meaning and Significance for CPA's, American Institute of Certified Public Accountants, 1973.
15. "Statement on Auditing Standards No. 2 - Reports on Audited Financial Statements" issued by the AICPA in October 1974.

ATTACHMENT B

AUDIT REPORT FORMAT

ATTACHMENT B

REPORT FORMAT

All audit reports should include a cover page, table of contents, narrative section, and exhibits and schedules as required. The cover page should show the following information:

Name of Institution
City and State
Title of the Report
Period Covered by the Audit
Date of the Report

The table of contents should indicate the major topics of the narrative section as well as exhibits and schedules, with page number references. It is suggested that the table of contents be arranged into five sections as follows:

		Page
Part I	Introduction	
	Background Scope of Audit	
PART II	Highlights of Audit Results	
Part III	Financial	
	Auditor's Report on Financial Statements and Schedules	
	Exhibits and Schedules	
	Findings and Recommendations - Financial	

A. NDSLP
B. CWSP
C. SEOGP
D. General or combined operations on programs

Part IV Auditor's Conclusions on Internal Accounting and Administrative Controls and Compliance Information

Findings and Recommendations - Compliance and Internal Accounting and Administrative Controls

A. NDSLP
B. CWSP
C. SEOGP

Part V Prior Audit Reports

PART I - INTRODUCTION

BACKGROUND

This section should include the name of the institution and its location, and the following information pertinent to each program audited;

NDSL - the date the NDSL Fund was established;

the cumulative amount loaned and the number of students extended loans; percentage of total loans delinquent, percentage of principal payments delinquent and the period covered by the audit.

CWSP - the date the CWSP was established;

the total dollar value of Federal and institutional expenditures under the program during the fiscal year;

the total number of students participating in the program during the fiscal year; and the period covered by the audit.

SEOG - the date the SEOG Program was established;

the total dollar value of Federal expenditures under the program during the fiscal year;

the total number of students participating in the program; and

the period covered by the audit.

In addition, any background information on the grantee's organization with particular reference to internal division of responsibilities that is pertinent to the areas covered by the audit and that will aid the reader in understanding any findings and recommendations in the audit report should also be included in this section.

SCOPE OF AUDIT

This section should clearly explain the scope and objectives of the audit.

While the description of the Scope of Audit is tailored for each report, the following characteristics are generally present:

1. A specific statement concerning the conduct of the audit in accordance with "Standards for Audits of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General (GAO) in June 1972 (1974 Reprint).
2. Clear and precise statements of the specific audit objectives, with sufficient information to enable to reader to ascertain the nature of the audit work.
3. Indications of the period covered by the audit and the time that the field work was performed.
4. Statements concerning the places at which the audit was conducted.
5. Qualifying or limiting remarks, if needed, to avoid unwarranted inferences concerning the scope and purpose of the audit and to call attention to departures from standards or omissions of regular auditing procedures.

We recognize that some of the information included in the scope section will also be included in the "Auditors Report on Financial Statements and Schedules." However, we feel that it is necessary to include the same in the scope section in order to clearly present the scope and purpose of the audit and to avoid unwarranted inferences.

An illustrative example of a scope section is as follows:

> "Our audit of the National Direct Student Loan Program, College Work-Study Program and Supplemental Educational Opportunity Grants Program was performed in accordance with "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General in June 1972 (1974 Reprint) and the audit guide prescribed by the Department of Health, Education and Welfare. The purpose of the audit was to formulate an opinion on the basic financial statements as a whole and to determine if these programs were administered in accordance with applicable laws, regulations, terms of agreements, and OE directives. The review included:
>
> 1. Evaluation of the institution's policies, procedures, and practices used to administer the programs.
> 2. Determination of compliance with applicable sections of the acts, related Federal regulations, and Office of Education policies and procedures.
> 3. Evaluation of the institution's systems of internal control, accounting, and reporting, and the controls maintained in the operation of and accounting for the funds provided for the programs. Also the appropriate financial statements , OE form 1152-2, 1152-3 and 1152-4, were reviewed.
>
> As part of our review we obtained confirmation from selected students on SEOG awards, student participation in the CWS program and student NDSL loan balances. The audit covered the period July 1974 through June 30, 1975 and the field work was performed during the month of August 1975.

PART II - HIGHLIGHTS OF AUDIT RESULTS

This section contains a concise summary of what the auditor has found, what he recommends and what is the institution's response to the findings. This section is particularly useful to those readers who desire a quick, clear synopsis of the audit results.

An illustrative example of a Highlights section is as follows:

> Our audit disclosed that the institution had generally administered its student aid programs (CWS, SEOG, and NDSL) in a satisfactory manner and in accordance with the DHEW Federal regulations and directives pertaining to the above named programs. However, certain areas of the insti-

tutions management of student aid programs were in need of improvement, specifically, (1) the accounting system did not provide adequate financial data to ensure that institutional contributions for the CWS program were made properly on a timely basis and (2) improvement is needed in the process concerned with collection of amounts owed by students on loans made under the NDSL program. These matters are discussed more fully under the "Findings and Recommendations" section of this report, see page __ through __. As to our opinion on the financial statements, and schedules, see page __.

PART III - FINANCIAL

AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have examined the balance sheets of the National Direct Student Loan (NDSL), College Work-Study (CWS), and Supplemental Educational Opportunity Grants (SEOG) Programs of XYZ University as of June 30, 19__, and the related statements of changes in fund balances for the year then ended. Our examination was made in accordance with the "Standards for Audits of Governmental Organizations, Programs, Activities and Functions" issued in June 1972 (1974 reprint) by the Comptroller General (GAO), applicable to examinations of financial operations and reviews of compliance with applicable laws and regulations, and with the audit requirements set forth in the audit guide issued by the Department of Health, Education, and Welfare dated January 1976 and accordingly, included such tests of the accounting records and such other auditing procedures as we consider necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the NDSL, CWS, and SEOG Programs, of XYZ University at June 30, 19__, and the changes in fund balances for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made primarily for the purpose of formulating an opinion on the basic financial statements taken as a whole. The supplemental information contained in Schedules 1 and 2 of this report, although not considered necessary for fair presentation of financial position and changes in fund balances, is presented for supplementary analysis purposes. The information contained in Schedules 1 and 2 was subjected to the same auditing procedures applied in our examination of the basic financial statements, and is, in our opinion, fairly stated in all material respects in relation to the basic financial statements of the NDSL Program (Exhibits A and A-1) taken as a whole.

Notes: (1) If the auditor has not conducted an examination of prior year financial information he should consider the necessity of disclaiming an opinion or qualifying his opinion. When conditions are such that a qualified, adverse or disclaimer of opinion is warranted, the auditor's report should include a statement of all reasons which necessitated the qualified, adverse or disclaimer of an opinion (See "Statement on Auditing Standards No. 2 - Reports on Audited Financial Statements" issued by the AICPA in October 1974.

(2) Where prior year audits were conducted by another CPA firm and the current auditor elects to make reference to the audits performed by the predecessor CPA firm, the auditor would disclose this fact by an addition to the standard scope paragraph stating he has previously examined and reported on the prior year statements. (See SAS Number 1, Paragraph 535 and Paragraph 543).

(3) Generally, the Department of HEW does not require the disclosure of estimated uncollectible accounts on loans receivable or the reporting of accrued interest income on outstanding loans. Since both of these positions are at variance with generally accepted accounting principles, the auditor must consider the materiality of both these items when determining the type of opinion he will render.

EXHIBITS AND SCHEDULES

The audit report should include as exhibits a balance sheet and a statement of changes in fund balances for the NDSL, CWS and SEOG programs, supplemental schedules 1 and 2 and appropriate notes to the financial statements. Suggested formats for these exhibits are attached.

The information reported on Exhibit A-1, Statement of Changes in Fund Balance; and Schedule 1, Analysis of Student Loan Receivables, reflects financial information on a cumulative basis. Therefore, if the program has not been audited from the inception of the program up through the most current date, by the same CPA firm or another CPA firm, the heading of the report dealing with the cumulative basis should be marked UNAUDITED and a disclaimer of opinion rendered.

The amounts reported on the "Statement of Changes in Fund Balance" for the NDSL, CWS and SEOG programs should agree with the amounts reported on the Office of Education Fiscal Reports, OE 1152-2, OE 1152-3 and OE 1152-4. If the amounts agree, the following statement should be added as a note:

> The amounts reported on the Statement of Changes in Fund Balance for the NDSL, CWS and SEOG programs agree with the amounts reported on the Office of Education Fiscal Reports OE 1152-2, OE 1152-3 and OE 1152-4. If the amounts on the statements do not agree, add after OE 1152-4, "except for ...." e.g. the adjustments discussed in footnotes 1 through 4 on the National Direct Student Loan Fund Statement of Changes in Fund Balance (exhibit A-1).

Any adjustments (material or immaterial) to the grantee's reports should be explained by a footnote and if applicable cross-referenced to the finding and recommendation section of the report. The notes to the financial statements should include a summary of significant accounting policies and procedures and any other information necessary for an understanding of the basic financial statements.

FINDINGS AND RECOMMENDATIONS - FINANCIAL

Any findings and recommendations in the financial area should be grouped by category and included in this section under a separate heading for each program audited. Each finding should be explained in sufficient detail to enable the reader to understand both the cause and the effect of the discrepancy. The explanation of each finding should:

1. Describe the deficiency noted,
2. State the cause of the deficiency e.g. lack of established controls or improper implementation of established controls,
3. Describe the extent of the deficiency, including the size of the universe, sample size, error rate, and dollar amount of error, if any,
4. Describe the effect of the deficiency on the operation and the financial reports,

5. Include a recommendation that should correct the cause of the deficiency noted and when appropriate a recommendation for recovery of Federal funds.

PART IV - AUDITOR'S CONCLUSIONS ON INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS AND COMPLIANCE INFORMATION

The following is to be included as the auditor's conclusions on Internal Accounting and Administrative Controls and Compliance Information:

> We have examined the financial statements on the NDSL, CWS, and SEOG Programs, XYZ University for the year ended_____________. Our opinion on the above statements is contained on page __ of this report. As a part of our examination, we reviewed and tested the University's system of internal accounting control to the extent we considered necessary to evaluate the system as required by "Standards for Audits of Governmental Organizations, Programs, Activities and Functions" issued by the Comptroller General (GAO) in June 1972 (1974 reprint). Under these standards the purpose of such evaluation is to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.
>
> We have also made a study of those internal accounting control and administrative control procedures of XYZ University that we considered relevant to the criteria established by the Department of Health, Education, and Welfare as set forth in pages 17 through 28 of its Audit Guide issued January 1976. Our study included tests of compliance with such procedures during the period from ____________________ through ____________________.
>
> The objective of internal accounting control is to provide reasonable but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. We understand that the objective of those administrative control procedures comprehended in the Department of Health, Education, and Welfare criteria is to provide similar assurance as to compliance with its related requirements. The concept of reasonable assurance recognizes that the cost of a

system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

We understand that procedures in conformity with the criteria referred to in the second paragraph of this report are considered by the Department of Health, Education and Welfare to be adequate for its purpose in accordance with the provisions of the Higher Education Act of 1965 and related regulations, and that procedures not in conformity therewith indicate some inadequacy for such purposes. Based on this understanding and on our study, we believe the XYZ University procedures were adequate for the Department's purposes. (Note: The sentence should be continued as follows, if appropriate--except for the conditions described on pages ___ through ___ of this report which we believe are not in conformity with the criteria referred to above.

This report is intended for use in connection with the grant to which it refers and should not be used for any other purposes.

Note: If the accountant's report on the audit of the financial statements is qualified, he must consider whether or not the nature of the qualifications is such as to affect his conclusions on the Internal Accounting and Administrative Controls or any compliance information.

FINDINGS AND RECOMMENDATIONS - COMPLIANCE AND INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

This section will contain compliance and internal control findings and recommended corrective action to be taken. Each finding should be explained in sufficient detail to enable the reader to understand both the cause and effect of the discrepancy. The recommendation should be presented in a manner that will illustrate how this corrective action will improve program operations and when appropriate include a recommendation for recovery of Federal funds.

Whenever the audit discloses program funds being used for purposes which may not be allowable under the terms of the grant agreements, or the cost principles for grants awarded to institutions of higher education by the Office of Education, the auditor should show the amount of the funds and the reasons for recommending recovery of program funds. Examples are: funds awarded to students not eligible to participate in the programs, funds awarded to students in excess of financial need, College Work Study funds paid to students in excess of individual grant awards. The amounts recommended for recovery could be shown on the adjusted column of the financial statements and explained by a footnote or if desirable, on a separate schedule.

(Note: Recommendations for recovery of Federal funds by the auditor does not necessarily mean that the costs questioned will be disallowed. The final determination as to the allowability of costs will be made by the Office of Education, HEW.

PART V - PRIOR AUDIT REPORTS

This part will include the status of action on findings reported in prior year audits. Where adequate corrective action has not been taken and the finding is reported in this report (Parts III or IV), it will suffice to briefly describe the prior finding and show the page reference where it is included in this current report.

Exhibit A

XYZ UNIVERSITY
NATIONAL DIRECT STUDENT LOAN FUND
BALANCE SHEET
JUNE 30, 19__

Assets

Cash on hand and in depository		$ 414,788
Funds receivable from government		-0-
Funds receivable from institution		-0-
Student loans receivable (See Schedule 1)		5,440,262
Total Assets		$ 5,855,050

Liabilities and Fund Balances

Liabilities		
Overpayment of account		$ 17
Total Liabilities		$ 17
Fund Balances (Deficits)		
Capital		
Federal contribution		
Authorized	$5,636,716	
Repaid	-0-	
Balance		5,636,716
Institutional Contribution		
Authorized	$ 626,302	
Repaid	-0-	
Balance		626,302
Non Capital (See Exhibit A-1)		(407,985)
Total Fund Balances		$ 5,855,033
Total Liabilities and Fund Balances		$ 5,855,050

See Notes to Financial Statements

Exhibit A-1

XYZ UNIVERSITY
NATIONAL DIRECT STUDENT LOAN FUND
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 19
AND THE PERIOD 7/1/70 THROUGH 6/30/75

UNAUDITED

	Cumulative For the Period 7/1/70 thru 6/30/75		For the Period 7/1/74 through 6/30/75	
	Per OE 1152-2	As Adjusted	Per Inst. Records	As Adjusted
Non-Capital Fund Balance				
Additions				
Interest on loans - collected	$ 376,627	$ 376,627	$ 58,649	$ 58,649
Interest on loans - cancelled	87,207	87,207	14,919	14,919
Other	72,675	72,658(1)	25,295	25,278(1)
Total additions	$ 536,509	$ 536,492	$ 98,863	$ 98,846
Deductions				
Loan principal and interest cancelled				
Teaching Service	$ 634,525	$ 634,501(2)	$ 108,646	$ 108,622(2)
Death	22,161	22,161	637	637
Disability	1,050	1,050	-0-	-0-
Bankruptcy	26,114	26,114	2,290	2,290
Military Service	7,362	7,362	6,079	6,056(3)
Total	$ 691,212	$ 691,188	$ 117,652	$ 117,605
Administrative Expense	243,283	243,283	28,081	28,081
Cost of Litigation	60	60	40	40
Other Collection Costs	9,947	9,947	1,905	1,905
Total Deductions	$ 944,502	$ 944,478	$ 147,678	$ 147,631
Net Increase/ (Decrease) for the Period	$ (407,993)	$ (407,986)	$ (48,815)	$ (48,785)
Fund Balance Beginning of Period	-0-	-0-	359,177	359,200
Non-Capital Fund Balance (Deficit) June 30, 19__	$ (407,993)	$ (407,986)(4)	$ (407,992(4)	$ (407,985)

Capital Fund Balances:

			Contribution	
	Federal	Institutional	Federal	Institutional
Fund Balance July 1, 19__			$5,175,964	$ 575,107
Add: Authorized contribution	$ 5,636,716	$ 626,302	460,752	51,195
Deduct amounts repaid	-0-	-0-	-0-	-0-
Fund Balance June 30, 19__	$ 5,636,716	$ 626,302	$5,636,716	$ 626,302

(1) Does not include loan overpayment of $17. Overpayments are refunded.

(2) Includes correction of teacher cancellation calculation and posting error $24.

(3) Excludes correction of Military Cancellation reported in previous audit $23.

(4) Difference of $1 due to whole dollar accounting.

(Note: It is not necessary to show the "as adjusted column" unless adjustments have been made.

Notes to Financial Statement

Exhibit B

XYZ UNIVERSITY
COLLEGE WORK-STUDY PROGRAM
BALANCE SHEET
June 30, 19__

Assets

Cash	$-0-
Federal funds receivable	500.00
Total assets	$500.00

Liabilties and Fund Balance

Accrued wages and other expense payable	$500.00
Fund balance	-0-
Total liabilities and fund balance	$500.00

See notes to financial statements.

Exhibit B-1

XYZ UNIVERSITY
COLLEGE WORK-STUDY PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 19____

Additions:		
Total grant award authorization (1)		$60,000
Deduct:		
Amount of grant award not requested or deposited (unexpended CWS grant award authorization) (2)		9,370
Balance - Funds provided by Federal Government (3)		$50,630
Add - Funds provided by institution		12,200
Total Funds Provided		$62,830
Deductions:		
Wages:		
On Campus:		
Federal share	$40,800	
Institution share	10,200	
Off Campus:		
Federal share	8,000	
Institution share	2,000	61,000
Administrative expenses		1,830
Total		$62,830
Net Increase (decrease) for the year (4)		-0-
Fund Balance, beginning of year		-0-
Fund Balance, end of year		$ -0-

Notes:

(1) Total grant award authorization is the approved level of Federal expenditures shown on the allocation letter for the grant award period. The amount of the grant available for expenditures.

(2) Amount of grant award not requested or deposited. This is the difference between total grant award authorization and total Federal funds provided. In situations where the institution expended all funds received from the Federal Government, this line is also the Unexpended CWS grant award authorization (Line 11, OE 1152-4).

(3) Funds provided by Federal Government is the total amount of cash received from HEW on the grant award documents.

(4). In situations where the institution does not spend all of the Federal funds requested or deposited; the difference between total funds provided and total expenditures (deductions) is the fund balance for year. This amount plus the amount shown as amount of grant award not requested or deposited is the total unexpended CWS authorization shown on line 11 of OE 1152-4.

Exhibit C

XYZ UNIVERSITY
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM
BALANCE SHEET
June 30, 19__

Assets

Cash	$740.00
Refund due from institution	-0-
Total assets	$740.00

Liabilities and Fund Balance

Liabilities	$ -0-
Fund balance	740.00
Total liabilities and fund balance	$740.00

See notes to financial statements.

Exhibit C-1

XYZ UNIVERSITY
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 19__

Additions:		
Total grant award authorization(1)		$18,250
Deduct:		
Amount of grant award not requested or deposited (1) (unexpended SEOG grant award authorization)		-0-
Balance - Funds provided by Federal Government(1)		$18,250
Deductions:		
Initial awards	$10,000	
Continuing awards	7,000	
Administrative expense	510	
Total		17,510
Increase (decrease) during the year (unexpended SEOG authorization)		740
Fund balance, beginning of year		-0-
Fund balance, end of year		$ 740

---

(1) See Exhibit B-1 for an explanation of the terms; grant award authorization, unexpended grant award authorization and funds provided.

Schedule 1

XYZ UNIVERSITY
NATIONAL DIRECT STUDENT LOAN PROGRAM
ANALYSIS OF STUDENT LOANS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 19
AND THE PERIOD 7/1/70 THROUGH 6/30/75

	Cumulative For the Period 7/1/70 thru 6/30/75		For the Period 7/1/74 thru 6/30/75	
	Per OE 1152-2	As Adjusted	Per OE 1152-2	As Adjusted
Student loans receivable July 1, 19__	$ -0-	$ -0-	$5,102,066	$5,102,066
Funds advanced to students	8,725,345	8,725,345	936,020	936,020
Less credits:				
Collected	2,681,102	2,681,102	495,138	495,138
Cancelled:				
Teaching service	548,699	548,675(1)	93,876	93,852(1)
Death	21,931	21,931	632	632
Disability	875	875	-0-	-0-
Bankruptcy	25,138	25,138	2,146	2,146
Military service	7,362	7,362	6,056	6,056
Other adjustments	-0-	-0-	-0-	-0-
Total credits	$3,285,107	$3,285,083	$ 597,848	$ 597,824
Students loans receivable June 30, 19__	$5,440,238	$5,440,262	$5,440,238	$5,440,262

(1) Includes calculation and posting error correction $(24).

Schedule 2

XYZ UNIVERSITY
NATIONAL DIRECT STUDENT LOAN PROGRAM
ANALYSIS OF STUDENT LOANS RECEIVABLE IN REPAYMENT STATUS
AS OF JUNE 30, 19__

Student Loans Receivable (From Schedule 1)	$5,440,262
Deduct total value of loans not in repayment status (grace period, armed forces, Peace Corps, Vista, student status, hardship)	1,201,850
Total Student Loans Receivable in Repayment Status	$4,238,412

1st Computation Required - Delinquency Rate on Total Loans Delinquent

Total loans current (120 days or less)	$3,588,412
Total delinquent (in arrears 121 days or more)	650,000(1)
Percentage of loans delinquent (650,000 ÷ 4,238,412)	15%

(1) The $650,000 is the total loans delinquent.

2nd Computation Required - Delinquency Rate on the Principal Amount Delinquent

Total amount of scheduled loan payments delinquent out of the $650,000	$ 250,000
Percentage of Principal Payments Delinquent (250,000 ÷ $4,238,412)	6%

ATTACHMENT C

EXAMPLE OF A SUMMARY REPORT

ATTACHMENT C

ACN ______________ INSTITUTION ______________

PART A - OE SUMMARY OF AUDIT FINDINGS AND CORRECTIVE ACTIONS

FINDING NUMBER A-3, pages 28 & 30, NDSL

FINDING OR EXCEPTION:

The NDSL notes were not kept in a fireproof vault.

INSTITUTIONAL RESPONSE:

Central is currently retaining all the NDSL notes in a secure, fireproof safe.

OE POSITION AND/OR GOVERNING REGULATION:

Section 144.18(g) of the NDSLP regulations require institution's to maintain NDSL notes in good order and in a locked fireproof container.

OTHER OE COMMENTS AND REQUIRED ACTION:

Our review disclosed that this finding was restated from an earlier audit review. In order to prevent the reoccurrence of this finding, we urge your institution to continue its currently established procedures for securing the NDSL notes.

ACN ______________ INSTITUTION ______________________________

PART B - MONETARY ADJUSTMENTS AND REIMBURSEMENTS

B.1. ADJUSTMENTS.

Reference Finding A-15.

In order that our records may reflect the Fiscal Year 1976 SEOG expenditures as adjusted by the auditor, we have made the following changes to our copy of your institution's June 30, 1976 Supplemental Educational Opportunity Grants Program fiscal-operations report (OE Form 1152-3). These changes should also be made to the College's records.

Line, column	From	To
5, a	$ 68,290	$ 41,819
5, b	6,950	10,310
5, c	75,240	52,129
6, a	2,049	1,255
6, b	208	309
6, c	2,257	1,564
8, a	70,339	43,074
8, b	7,158	10,619
9, a	147,599	174,599
9, b	299,056	295,595

B.2. REIMBURSEMENTS.

None.

APPENDIX C

INSTITUTIONAL REPORTING

INSTITUTIONAL REPORTING

What information is obtained via the Quarterly Reports and the FISCOP Reports?

Periodic reports on both the Basic Grant and Campus-Based Student Financial Aid programs are required by regulation and as conditions of the application agreements. The Institutional Progress Report for Basic Educational Opportunity Grants or Quarterly Reports (OE Form 255-3) contain four basic sections:

- Identifying Data - including the BEOG ID number, the EIN number, and report type.
- General Information (Section I) - Name/address of institution, identification of the responsible official, submission date; accreditation status, and BEOG recipient status.
- General Information (Section II) - Institution type, control, full-time undergraduate enrollment, part-time undergraduate enrollment, percent of part-time enrollment living on campus, number of part-time BEOG recipients, length of academic year, and average institution charges.
- Status of Authorization - Gross expenditure, dollar recoveries, net expenditures, estimated demand for additional funds, estimated additional recipients, total estimated expenditures, total estimated recipients, current OE approved authorization, estimated authorization adjustment, student eligiblity reports submitted, and signature of an authorized institution official.

The FISCOP Report (OE Form 1152-1) contains the following information:

- Part I - General Section--Number of NDSL, SEOG, and CWS aid recipients and amounts spent in these programs during the fiscal year by racial/ethnic distribution, distribution of aid recipients by sex; numbers of aid recipients and amounts spent by income category for undergraduate dependent students or by undergraduate independent or graduate status during the fiscal year; and signatures of the director of student financial aid and the Chief Fiscal Officer (certification).

- Part II - National Direct Student Loan Program--Cumulative Fiscal Report (credits and debits); annual fiscal information; cumulative repayment information; and collection activities.
- Part III - Supplemental Educational Opportunity Grants Program--Amount spent in the SEOG program during the fiscal year.
- Part IV - College Work-Study Program--Amount spent in the College Work-Study program during the fiscal year and a report of on-campus and off-campus employment during the fiscal year.

Copies of the two forms are provided as Attachments A and B.

When and how are the Quarterly Reports and the FISCOP Reports received by OE?

The Quarterly Reports are submitted three times per year on the following dates:

- October 31
- February 28
- June 30

The Quarterly Reports and the Student Eligibility Records (SERs) are mailed to a post office box specifically maintained for their receipt and are picked up by a private contractor. They are then submitted to the Division of Program Operations, Basic Grant Branch, Fund Control and Disbursement Section, Disbursement Unit.

In the past, the FISCOP Reports were filed annually by the institutions on or about September 1, but some were filed as late as mid-September. The FISCOP Report is now combined with the application and must be submitted by October 16. The report is now submitted to BSFA (OE Central) which sends copies to the appropriate Regional Offices. In the past, the Regional Offices received two copies of the FISCOP Reports, one from BSFA and one from the institutions which had to submit applications to the Regional Offices. (The reports were attached to these applications.)

How are data on these reports verified?

The first step in the verification of the Quarterly Reports is a cursory review by the private contractor. During this stage, the reports are checked for incomplete or blank entries and for information which is obviously incorrect. Approximately five to six editors are involved in this process, and they contact the institutions by telephone to obtain the information necessary to make corrections on the reports.

After this cursory review, the reports are sent to OE Central where they are keyed and batched (between 150 to 300 reports) and entered into the computer (PIMS system) to verify the data. Approximately 30 criteria have been established to address all of the data entries. If the information in a report is incorrect, it is put into an error file. The unit (11 technicians, each representing a region) checks the data entries and attempts to make any or all corrections (e.g., keypunch errors) without contacting the institution which submitted it. If this is not possible, the institution is contacted by telephone and is asked to correct the entries in question.

It has been proposed that another, more thorough review be done at the time of validation (at the end of the school year). This procedure would involve OE sending the institutions printouts of all items (SERs) they have submitted during the year and each institution would have to reconcile the differences.

If the data on Quarterly Reports appear suspect, the schools are first contacted to resolve any discrepancies. In addition, data are verified by checking them against other data sources (e.g., current authorization levels can be checked by computer).

The institutions are not normally required to submit any additional information to substantiate information contained in the reports. On occasion, the unit may ask for a letter of explanation. This may occur in the event that an institution did not submit the report on time (due to change in personnel, for example).

FISCOP REPORTS

FISCOP Reports are keypunched and machine edited. The machine edit generates an enormous amount of error files which the institutions are still correcting. As of this date, the 1975 edits are still being corrected. Data are verified on an item-by-item basis.

Fiscal elements are checked most closely (i.e., how much money was received and how much was carried over). Student counts and student characteristics (e.g., number of minority persons, women etc.) are checked least frequently.

If the data on the FISCOP Reports appear suspect, a "form listing" is usually generated. This is a listing of all key elements of the FISCOP Report and the errors found. The listing is then sent to the appropriate institution with a request to correct all errors within three weeks. If the institution does not make adequate corrections, it is contacted by telephone in an attempt to resolve any problems or discrepancies. Data are not verified against any other sources, nor are institutions normally required to submit any additional documentation.

The General Accounting Office recommended that BSFA conduct site visits to verify the data submitted. This was rejected, however, since the program reviews are designed for this purpose.

In the past, the FISCOP Report served as the sole mechanism for monitoring institutions. This will be replaced by institutional audits, which will now be used for monitoring purposes.

Approximately 12 persons are involved in the data verification process, but not on a full-time basis. Work is assigned on a State/Regional basis with one professional and one clerifcal/administrative person assigned to a given report.

What does OE do with the data once received and verified?

BEOG Quarterly Reports

After the Quarterly Reports are keyed, batched, and entered into the computer, they first undergo an error checking phase. This consists of processing known information (e.g., current allocation level, EIN, etc.) against the data submitted. Checks for arithmetic errors are also made at this time. Finally, a major routine of verifying the average award is done to ensure that it does not exceed the maximum.

The next phase, "unreasonable request," challenges an institution's request for additional funds. The unit negotiates with the institutions about unreasonable requests (i.e., as compared to average award level). If a new authorization level is approved for an institution, a new Quarterly Report for the next submission is generated by computer which serves as a new base for the institution.

After the request for funds has been approved, it is entered into the funding cycle. Finally, authorization letters are printed and mailed out by the contractor.

All of the data are processed and stored in computer-readable form. They are stripped of all unique identifiers and are summarized in aggregate form. The data are used to prepare reports every year and are also furnished to the public upon request (e.g., the education community, the Congress, Federal agencies, etc.)

The data are stored on magnetic tape (COMNET) and are accessed by batch, using ALPHA. The Disbursement Unit, Fund Control, and Disbursement Section, Basic Grant Branch, Division of Program Operations of BSFA is responsible for processing the data submitted in the Quarterly Reports.

The files are merged (information on recipients and applicants) to obtain applicant demographic data along with recipient data. The applicant file contains 53 data elements which are merged with award information (the recipient portion includes: name; social security number; and amount of award). An arbitrary 10 percent sample is drawn and statistics on this sample are computed. In addition, award statistics were prepared in the past. The Analysis Section has now adopted a more sophisticated sampling procedure which is being employed to compute these statistics. Starting with the 1977-78 year, the files will be merged to produce "End of the Year Reports."

Data dissemination involves three activities. First, the data are used to respond to unique ad hoc requests from the education community (e.g., education associations), the Congress, and the Federal government. Second, End of the Year Reports (with major trends) are routinely published and are sent to individuals on a mailing list, including members of Congress, financial aid administrators, and educational associations. Finally, unique tabulations are performed for specific purposes (e.g., the "Cost Projection Model").

The Analysis Section of the Basic Grant Branch is responsible for analyzing and disseminating the data submitted in the Quarterly Reports. The Section comprises three full-time professionals and two clerks, and three part-time professionals.

The data contained in the Quarterly Reports are used as a basis for program planning, evaluation, and policy decision-making. Retrospective statistics are used for the Cost Project Model and for End of the Year Reports. All data are used for current decision-making.

FISCOP REPORTS

FISCOP Report data are analyzed and summarized in a purely descriptive manner. All data are stored in computer-readable form. They are summarized by:

- Aggregate U.S. Figures
- State/Region
- Level and Control
- Race of Institution

The data are used for a variety of purposes. Unexpended balances are transferred into a fund deobligation tape and are then recovered. For the NDSL program, the repayment portion is used to compute a default rate. College Work-Study funds may be reallocated. The data are also used to compute NDSL cancellation rates and to determine the net worth of the loan fund, by institution.

The Financial Management Section, Campus and State Grant Branch, Division of Program Operations (all members), is responsible for both analyzing and disseminating the data. These are not considered to be two separate tasks. The Section is still analyzing data from the 1973 Reports. Data are available for public use. They are used to generate management reports which are published by BSFA. In addition, data from the FISCOP Reports are used to support budget requests.

How much does it cost to OE to process, edit, verify, store, and assess data from the Quarterly Reports and the FISCOP Reports?

The unit cost for verifying the Quarterly Report data and processing the data is $0.36 per report. No other cost data are available with regard to the Quarterly Reports. No specific data for verifying and processing the FISCOP Reports are available.

ATTACHMENT A

BEOG QUARTERLY REPORT

Institutional **PROGRESS REPORT** for
Basic Educational Opportunity Grants.

Academic Year: 1976-77

DEPARTMENT OF HEALTH,
EDUCATION, AND WELFARE
OFFICE OF EDUCATION
Washington, D.C. 20202

PLEASE read instructions before completing this form. Show dollars only.

Form Approved
OMB.: 051R 0993

1. A. BEOG ID NO.:

2. EIN NO.:

3. Report for: (Check One Box Only)
☐ Oct. 31 ☐ Feb. 28 ☐ June 30
☐ AD HOC Request for Change in current OE Approved Authorization (to be used between reporting periods)

SECTION I GENERAL INFORMATION

4. Institution NAME and ADDRESS: (as shown on Authorization Letter)

☐ Check here when NAME and/or ADDRESS has changed

8. Date of Submission: ___/___/___ (mo. day year)

9. Accreditation Status:
Specify Agency: National Assoc. of Trade and Technical Schools
Status: ☒ Fully Accredited
☐ Candidate
OR ☐ Correspondent
☐ "3 Letters"

Official responsible for this PROGRESS REPORT (sign item 30)

5. Name:
6. Title:
7. Phone:

10. Check here if NO BEOG recipients are expected at this institution. PLEASE return this report for USOE records. ☐

SECTION II

11. Type of Institution:
☐ University
☐ Other 4-year
☐ 2-year
☐ At least 1-year, but less than 2-year
☐ At least 6 months, but less than 1-year

12. Control:
☐ Public
☐ Private, non-profit
☐ Private, profit making

13. U. S. Congressional District:

1976-77 Undergraduate Enrollment	Percent Living On-Campus
14. A. Full-time:	B. %
15. A. Part-time:	B. %

16. No. of 1976-77 Part-time BEOG Recipients:

17. Length of Academic Year (from 7/1/76 to 6/30/77) or equivalent on which charges below are based: months ☐☐

18. Average Institutional Charges per Full-time Undergraduate Student:

For 1976-77
Tuition and Fees (In-State)	A.	$
Room (On-Campus)	B.	$
Board (On-Campus)	C.	$

For 1977-78 (Estimated)
Tuition and Fees (In-State)	D.	$
Room (On-Campus)	E.	$
Board (On-Campus)	F.	$

SECTION III STATUS OF AUTHORIZATION (see instructions)

Enter dollars only—do NOT show cents

			Amount (A)	Total No. of BEOG Recipients (B)
19.	Gross Expenditures (actual payments to students to date)	19.	$ Acct #11, Sum of col 2	(17-24)
20.	Less Recoveries (to date)	20.	$ Acct #11, Sum of col 3	(33-40)
21.	Net Expenditures.	19 - 20 = 21.	$ Acct #11, col 4	▨
	ESTIMATED DEMAND FOR ADDITIONAL FUNDS (for remainder of academic year):			▨
22.	Amount for Present Recipients	22.	$ (57-64)	▨
23.	Amount for Additional Recipients Expected to Qualify	23.	$ (65-72)	(73-80)
24.	Total Estimated Expenditures and Recipients	21 + 22 + 23 = 24A.	$	▨
	(for ENTIRE academic year: 7/1/76 - 6/30/77)	19 + 23 = 24B.	▨	(17-24)
25.	Current OE Approved Authorization (from BEOG Authorization letter)	25.	$ (25-32)	▨
26.	Institution's Estimated Authorization Adjustment	24 - 25 = 26. (circle one)	$ ± (33-40)	▨
27.	Number of Student Eligibility Reports Previously Submitted	27.	(41-48)	
28.	Number of Student Eligibility Reports Submitted with this Report	28.	(49-56)	
29.	Total Number of Student Eligibility Reports Submitted	27 + 28 = 29.	(57-64)	

Further monies or other benefits may, but not necessarily, be withheld under this program unless this report is completed and filed as required under existing law and regulations (20 USC 1070a, 45 CFR 190.81).

30. SIGNATURE: ____________________

USOE COPY 1 - PROCESSING

OE FORM 255-3, 6/76

PREVIOUS EDITION IS OBSOLETE.

NATTS

C.8 11.

SLIDES

CENTRAL A   OFFICE (REPORTING OFFICE) FOR BEOG
OE VENDOR

UNIVERSITY COLLEGE
COLLEGE TOWN, U.S.A. 00001

REPORT FOR STUDENTS ATTENDING:
OE VENDOR NO. 000001
UNIVERSITY COLLEGE
COLLEGE TOWN, U.S.A. 00001

DEPARTMENT OF HEA   CATION, AND WELFARE
OFFICE OF EDUCA   TON, D.C. 20202

BASIC EDUCATIONAL OPP.   ITY GRANT PROGRAM
STUDENT VALIDATION ROSTER

Academic Year 1974-75

FORM APPROVED
O.M.B. NO. 51 R 1055

TYPE OF REPORT TEST PROCESS

DATE OF REPORT FEBRUARY 28, 1975 PAGE 2

				INFORMATION REPORTED TO USOE ON SERS						FOR INSTITUTION VERIFICATION		
STUDENT NAME	SOC. SEC. # OR BEOG ID #	DATE OF BIRTH	TRANS. NO.	R C	KEY NAME	STUDENT ELIG INDEX (42-46)	TOTAL STUDENT COST (37-41)	SCHEDULED BEOG AWARD (47-51)	EXPECTED DISBURSEMENT (52-58)	DATE ENROLLED (59-64)	TOTAL DISBURSEMENT (71-77)	STATUS
STUDENT SAMPLE A	834-56-7890	10/24/46	02	0	CI	0.00 0.00	800.00 800.00	362.00 512.00	241.00 241.00	01/31/75 01/31/75	|__|________|	|___|
						|________|	|________|	|________|	|________|	|________|		
STUDENT SAMPLE B	234-56-7890	02/12/36	01	0	CL	830.00	1850.00	288.00	288.00	09/05/74	|__|________|	|___|
STUDENT SAMPLE C	234-56-7890	10/06/47	01	0	CO	0.00	1850.00	938.00	938.00	07/05/74	|__|________|	|___|
STUDENT SAMPLE D	234-56-7890	02/04/55	02	0	CO	692.00	1850.00	472.00	472.00	09/05/74	|__|________|	|___|
STUDENT SAMPLE E	234-56-7890	02/04/55	02	1	CO	692.00	1850.00	472.00	472.00	09/05/74	|__|________|	|___|
STUDENT SAMPLE F	234-56-7890	04/27/55	01	0	CA	338.00	2100.00	806.00	806.00	09/05/74	|__|________|	|___|
STUDENT SAMPLE G	234-56-7890	07/14/55	01	0	DA	206.00	2100.00	882.00	882.00	05/10/74	|__|________|	|___|
STUDENT SAMPLE H	234-56-7890	12/21/54	01	0	DA	423.00	1850.00	682.00	682.00	09/05/74	|__|________|	|___|
STUDENT SAMPLE I	234-56-7890	09/10/55	01	0	DA	0.00	2100.00	1050.00	1050.00	07/22/74	|__|________|	|___|
STUDENT SAMPLE J	234-56-7890	01/20/55	01	0	DE	719.00	1850.00	438.00	438.00	05/10/74	|__|________|	|___|
STUDENT SAMPLE K	234-56-7890	11/19/55	01	0	DI	86.00 86.00	2100.00 2100.00	994.00 994.00	994.00 994.00	N/A 10/01/74	|__|________|	|___|
						|________|	|________|	|________|	|________|	|________|		
STUDENT SAMPLE L	234-56-7890	09/13/55	01	0	DI	165.00	1850.00	850.00	850.00	09/05/74	|__|________|	|___|
STUDENT SAMPLE M	834-56-7890	17/21/55	02	0	DU	0.00	1850.00	938.00	938.00	09/11/74	|__|________|	|___|
STUDENT SAMPLE N	234-56-7890	12/01/55	02	0	ED	0.00	2100.00	1050.00	1050.00	09/05/74	|__|________|	|___|
STUDENT SAMPLE O	234-56-7890	12/25/54	03	0	EM	0.00	2100.00	1050.00	1050.00	09/05/74	|__|________|	|___|
STUDENT SAMPLE P	234-56-7890	08/02/55	02	0	FL	136.00	2100.00	918.00	918.00	07/02/74	|__|________|	|___|
STUDENT SAMPLE Q	234-56-7890	01/12/55	01	0	FI	690.00	1850.00	472.00	472.00	09/05/74	|__|________|	|___|
STUDENT SAMPLE R	234-56-7890	04/11/55	01	0	FI	0.00	1850.00	938.00	469.00	01/31/75	|__|________|	|___|
STUDENT SAMPLE S	234-56-7890	10/23/56	01	0	FI	1156.00	1850.00	112.00	112.00	09/05/74	|__|________|	|___|
STUDENT SAMPLE T	234-56-7890	09/16/56	01	0	FO	873.00	1850.00	262.00	262.00	09/05/74	|__|________|	|___|
STUDENT SAMPLE U	234-56-7890	04/13/40	02	0	FO	0.00 0.00	800.00 800.00	362.00 512.00	241.00 241.00	01/31/75 01/31/75	|__|________|	|___|
						|________|	|________|	|________|	|________|	|________|		
STUDENT SAMPLE V	234-56-7890	10/15/54	01	0	FO	645.00	1850.00	472.00	472.00	09/05/74	|__|________|	|___|

[redacted]

UNIVERSITY COLLEGE
COLLEGE TOWN, U.S.A. 00001
REPORT FOR STUDENTS ATTENDING
OE VENDOR NO.

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM
STUDENT VALIDATION ROSTER

Academic Year 1974-75

FORM APPROVED

TYPE OF REPORT TEST PROCESS

DATE OF REPORT FEBRUARY 24, 1976 PAGE 0

STUDENT NAME	SOC SEC # OR BEOG ID #	DATE OF BIRTH	TRANS NO

NATTS

END OF REPORT ACCOUNTING INFORMATION:

INFORMATION REPORTED ON YOUR LATEST PROGRESS REPORT	
TOTAL EXPENDITURES FOR FISCAL YEAR 1975	$99,501.00
NUMBER OF STUDENTS RECEIVING BEOG FUNDS	184
NUMBER OF SERS SUBMITTED TO USOE	184
INFORMATION SUMMARIZED FROM SERS ON THIS ROSTER	
TOTAL EXPENDITURES FOR FISCAL YEAR 1975	$93,068.00
NUMBER OF SERS CURRENTLY IN USOE FILES	147
DIFFERENCE BETWEEN PROGRESS REPORT AND SERS EXPENDITURES	$6,433.00

C.10

HAVE YOU SUBMITTED SERS OR COPIES OF SERS WITH THIS REPORT? YES |__|. NO |__|

IF YES, NUMBER OF SERS |________|. SUM OF TOTAL DISBURSEMENTS FROM THESE SERS |________|.

SIGNATURE AND TITLE OF OFFICIAL COMPLETING THIS REPORT:

SIGNATURE : ______________________________________

TITLE: ______________________________________

RETURN THIS REPORT TO: BASIC EDUCATION OPPORTUNITY GRANT PROGRAM
U. S. OFFICE OF EDUCATION
P. O. BOX 2468
WASHINGTON, D. C. 20013

END OF SECTION II

121

120

OE FORM 2664, 8/74

INSTITUTION COPY

CENTRAL ADMINISTRATIVE OFFICE (REPORTING OFFICE) FOR BEOG:
OE VENDOR NO

REPORT FOR STUDENTS ATTENDING:
OE VENDOR NO.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION, WASHINGTON, D.C. 20202

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM
STUDENT VALIDATION ROSTER

Academic Year 1975-76

FORM APPROVED
O.M.B. NO. 51-R-1056

TYPE OF REPORT END-OF-YEAR-REPORT INITIAL DISTRIBUTION

DATE OF REPORT JANUARY 15, 1977 PAGE 6

STUDENT NAME	SOC. SEC. # OR BEOG ID #	DATE OF BIRTH	TRANS. NO.

STUDENT VALIDATION ROSTER RECONCILIATION INFORMATION

PLEASE COMPLETE THE FOLLOWING TWO SECTIONS IN ENTIRETY

SECTION IIIA - EXPENDITURES

1. TOTAL EXPECTED DISBURSEMENT FOR STUDENTS ON THIS ROSTER. (IF THERE IS A 3-LINE ENTRY FOR ANY STUDENT, ONLY THE AMOUNT ON THE SECOND LINE IS INCLUDED.) $46,600.00

2. ENTER SUM OF EXPECTED DISBURSEMENT AMOUNT FROM ROSTER FOR ALL STUDENTS WHO DID NOT RECEIVE EXPECTED DISBURSEMENT SHOWN, INCLUDING DUPLICATES BEING DELETED AND STUDENTS OF WHOM YOU HAVE NO RECORD. (USE SECOND LINE OF A 3-LINE ENTRY.) ---------------

3. SUBTRACT LINE 2 FROM LINE 1 AND ENTER DIFFERENCE. ---------------

4. ENTER SUM OF THE AMOUNTS ACTUALLY PAID TO STUDENTS INVOLVED IN LINE 2 CALCULATION. ---------------

5. ENTER SUM OF THE AMOUNTS ACTUALLY PAID TO STUDENTS NOT APPEARING ON THIS ROSTER. (SUBMIT THE SER OR A COPY IF PREVIOUSLY SUBMITTED AND ENTER COUNT IN IIIB-LINE 5. ---------------

6. ENTER TOTAL OF LINES 3, 4 AND 5. ---------------

7. TOTAL ACTUAL EXPENDITURES REPORTED ON YOUR LATEST PROGRESS REPORT ACCORDING TO USOE RECORDS. $45,778.00

8. SUBTRACT LINE 7 FROM LINE 6 AND ENTER DIFFERENCE. ---------------

IF LINE 8 IS UNDER +/- $1.00, NO EXPENDITURE ADJUSTMENTS ARE NECESSARY; OTHERWISE VERIFY CALCULATIONS FOR LINES 2-6. IF FIGURES ARE CORRECT AND REPRESENT YOUR ACTUAL EXPENDITURES DURING THIS ACADEMIC YEAR, COMPLETE THE PROGRESS REPORT IN SECTION IV TO ADJUST OUR RECORDS. LINE 6 HERE MUST BE ENTERED IN NET EXPENDITURES (ITEM 21A) ON YOUR REVISED JUNE 30 PROGRESS REPORT.

OE FORM 264-4, 8/74

O E COPY

CENTRAL ADMINISTRATIVE OFFICE (REPORTING OFFICE) FOR BEOG:
OE VENDOR NO.

IG

REPORT FOR STUDENTS ATTENDING:
OE VENDOR NO.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION, WASHINGTON, D.C. 20202

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM
STUDENT VALIDATION ROSTER

Academic Year 1975-76

FORM APPROVED
O.M.B. NO. 51-R-1055

TYPE OF REPORT END-OF-YEAR-REPORT
INITIAL DISTRIBUTION

DATE OF REPORT JANUARY 15, 1977 PAGE 7

STUDENT NAME	SOC. SEC. # OR BEOG ID #	DATE OF BIRTH	TRANS. NO.

C.12

STUDENT VALIDATION ROSTER RECONCILIATION INFORMATION

SECTION IIIB - RECIPIENTS

1. TOTAL NUMBER OF ENTRIES ON THIS ROSTER. 79

2A. ENTER NUMBER OF STUDENTS OF WHOM YOU HAVE NO RECORD DESIGNATED AS NR IN SECTION II. THIS MEANS THE STUDENT DID NOT ATTEND YOUR INSTITUTION, I.E. YOU DID NOT SUBMIT A SER FOR THE STUDENT ----------

2B. ENTER NUMBER OF DUPLICATE ENTRIES YOU HAVE DESIGNATED AS DELETIONS FROM THIS ROSTER. DO NOT DELETE STUDENTS WHO APPEAR ONLY ONCE IF YOU SUBMITTED THE SER EVEN IF YOU DISBURSED NO FUNDS TO THIS STUDENT. DESIGNATE SUCH STUDENTS WITH A TOTAL DISBURSEMENT OF ZERO IN SECTION I AND INCLUDE IN YOUR PROGRESS REPORT RECIPIENT COUNT(S).----------

3. ENTER TOTAL OF LINES 2A AND 2B. ----------

4. SUBTRACT LINE 3 FROM LINE 1 AND ENTER DIFFERENCE.----------

5. ENTER NUMBER OF SERS SUBMITTED HEREWITH FOR STUDENTS NOT APPEARING ON THIS ROSTER. ----------

6. ENTER TOTAL OF LINES 4 AND 5. ----------

7. ENTER NUMBER OF EXTRA (NON-DUPLICATE) SERS SUBMITTED FOR STUDENTS APPEARING ON THIS ROSTER MORE THAN ONE TIME. ----------

8. SUBTRACT LINE 7 FROM LINE 6 AND ENTER DIFFERENCE.----------

9. TOTAL ACTUAL RECIPIENTS REPORTED ON YOUR LATEST PROGRESS REPORT ACCORDING TO USOE RECORDS, 79

10. SUBTRACT LINE 9 FROM LINE 8 AND ENTER DIFFERENCE.----------

IF LINE 10 IS ZERO, NO RECIPIENT ADJUSTMENTS ARE NECESSARY; OTHERWISE VERIFY CALCULATIONS FOR LINES 2-10. IF FIGURES ARE CORRECT AND REPRESENT YOUR ACTUAL BEOG RECIPIENT COUNT DURING THIS ACADEMIC YEAR,

A) IF LINE 10 IS LESS THAN ZERO, ADDITIONAL SERS MUST BE SUBMITTED TO SUBSTANTIATE DISBURSEMENTS TO ALL REPORTED RECIPIENTS. IF THE SERS PREVIOUSLY SUBMITTED AND THOSE BEING SUBMITTED WITH THIS ROSTER ACCOUNT FOR ALL BEOG RECIPIENTS AT YOUR INSTITUTION, YOUR PROGRESS REPORT RECIPIENT COUNT(S) MUST BE ADJUSTED AS DESCRIBED BELOW,

B) IF LINE 10 IS GREATER THAN ZERO, COMPLETE THE PROGRESS REPORT IN SECTION IV TO ADJUST OUR RECORDS. LINE 8 HERE MUST BE ENTERED IN GROSS RECIPIENTS (ITEM 19B) AND LINE 6 MUST BE ENTERED IN TOTAL SERS SUBMITTED (ITEM 29) ON YOUR REVISED JUNE 30 PROGRESS REPORT.

END OF SECTION III

SLITAN

CENTRAL A STRATIVE OFFICE (REPORTING OFFICE) FOR BEOG:
OE VENDOR NO.

REPORT FOR STUDENTS ATTENDING:
OE VENDOR NO.

DEPARTMENT OF HE , EDUCATION, AND WELFARE
OFFICE OF EDUCATION, WASHINGTON, D.C. 20202
BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM
STUDENT VALIDATION ROSTER
Academic Year 1975-76

FORM APPROVED
O.M.B. NO. 51-R-1086

TYPE OF REPORT EAC-CF-YEAR-REPORT
INITIAL DISTRIBUTION

DATE OF REPORT JANUARY 15, 1977 PAGE 8

STUDENT NAME	SOC. SEC. # OR OEBG ID #	DATE OF BIRTH	TRANS NO.

ACADEMIC YEAR 1975-76 ONLY

SECTION IV : STATUS OF AUTHORIZATION (SEE INSTRUCTIONS)

1. OE VENDOR NO. ____________
2. NIH VENDOR NO. ____________
3. REPORT FOR :
|__| JUNE 30 |__| AD HOC
8. DATE OF SUBMISSION __/__/__

ENTER DOLLARS ONLY-
DO NOT SHOW CENTS

		AMOUNT (A)	NO. OF RECIPIENTS (B)
19. GROSS EXPENDITURES (ACTUAL PAYMENTS TO STUDENTS TO DATE)	19.	$ 3(7)(9-16)	(17-24)
20. LESS RECOVERIES (TO DATE)	20.	$ (25-32)	(33-40)
21. NET EXPENDITURES	19-20=21.	$ (41-48)	//////////
ESTIMATED DEMAND FOR ADDITIONAL FUNDS (FOR REMAINDER OF ACADEMIC YEAR)			//////////
22. AMOUNT OF PRESENT RECIPIENTS	22.	$ (57-64)	//////////
23. AMOUNT FOR ADDITIONAL RECIPIENTS EXPECTED TO QUALIFY	23.	////////// (65-72)	(73-80)
24. TOTAL ESTIMATED EXPENDITURES	21+22=24A.	$ 4(7)(9-16)	//////////
(FOR ENTIRE ACADEMIC YEAR: 7/1/75 - 6/30/76)	15+23=24B.	//////////	(17-24)
25. CURRENT OE APPROVED AUTHORIZATION (FROM BEOG AUTHORIZATION LETTER) FOR 1975/1976	25.	$ (25-32)	//////////
26. INSTITUTION'S ESTIMATED AUTHORIZATION ADJUSTMENT CIRCLE + OR -	24-25=26.	$+ $- (33-40)	//////////
27. NUMBER OF STUDENT ELIGIBILITY REPORTS PREVIOUSLY SUBMITTED	27.	(41-48)	
28. NUMBER OF STUDENT ELIGIBILITY REPORTS SUBMITTED WITH THIS REPORT	28.	(49-56)	
29. TOTAL NUMBER OF STUDENT ELIGIBILITY REPORTS SUBMITTED	27+28=29.	(57-64)	

C. E. USE ONLY	30	(65-72)

OE FORM 255-3, 6/76 760733 PREVIOUS EDITION IS OBSOLETE

C.13

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END OF ROSTER

SIGNATURE : ______________________________

TITLE : ______________________________

LAST PAGE

OE FORM 255-4, 6/76

O F COPY

ATTACHMENT B

FISCOP REPORT

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

PLEASE READ INSTRUCTIONS BEFORE COMPLETING THIS FORM.

FORM APPROVED
OMB NO. 51-R0643

INSTITUTIONAL FISCAL-OPERATIONS REPORT FOR THE NATIONAL DIRECT STUDENT LOAN, SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS, AND COLLEGE WORK-STUDY PROGRAMS FOR FISCAL YEAR 1976

(July 1, 1975 - June 30, 1976)

PART I - GENERAL SECTION

COMPLETE THIS PART ONLY AFTER ALL OTHER RELEVANT PARTS OF THIS REPORT HAVE BEEN COMPLETED.

1. SERIAL NUMBER *(DSFA)*

2. ENTITY NUMBER *(EN)*
1 -

Further monies or other benefits may, but not necessarily, be withheld under these programs unless this report is completed and filed as required by existing laws 20 U.S.C. 424, 1087cc - National Direct Student Loan Program; 20 U.S.C. 1070b; 20 U.S.C. 1232c - Supplemental Educational Opportunity Grants Program; and 42 U.S.C. 2754; 20 U.S.C. 1232c - College Work-Study Program.

2. NAME AND ADDRESS OF INSTITUTION *(include city, State and ZIP code)*

3. COMPLETE THIS REPORT AND RETURN BY AUGUST 31, 1976. ALL COPIES BUT YOUR OWN TO:

U.S. Office of Education
Bureau of Postsecondary Education
Division of Student Financial Aid
Program Support Branch
Washington, D.C. 20202

SECTION A - NUMBER OF NDSL, SEOG, AND CWS AID RECIPIENTS AND AMOUNTS SPENT IN THESE PROGRAMS DURING FISCAL YEAR 1976 BY RACIAL/ETHNIC DISTRIBUTION

RACE OR ETHNIC GROUP	*ADP USE*	UNDUPLICATED TOTAL		NDSL		SEOG		CWS	
		RECIPIENTS a	AMOUNT b	RECIPIENTS c	AMOUNT d	RECIPIENTS e	AMOUNT f	RECIPIENTS g	AMOUNT h
1. BLACK *(not of Hispanic origin)*	*1A010*								
AMERICAN INDIAN OR ALASKAN NATIVE	*1A020*								
3. ASIAN OR PACIFIC ISLANDER	*1A030*								
4. HISPANIC	*1A040*								
5. WHITE *(not of Hispanic origin)*	*1A050*								
6. *TOTAL (sum of lines 1 through*	*1A060*				Account #26, Column 3		Account #5 col f. + Acct #8 col 4		Account # sum of column

SECTION B - DISTRIBUTION OF AID RECIPIENTS BY SEX DURING FISCAL YEAR 1976

SEX	*ADP USE*	UNDUPLICATED NUMBER OF AID RECIPIENTS a	NDSL RECIPIENTS b	SEOG RECIPIENTS c	CWS RECIPIENTS d
1. MEN	*1B010*				
2. WOMEN	*1B020*				
3. *TOTAL (sum of lines 1 and 2)*	*1B030*		Account #26 column 3	Account #5, col f. + Account #8, col 4	Account #14 sum of col d.

OE FORM 1152-1, 6/76 REPLACES OE FORM 1152-1, 3/75, WHICH IS OBSOLETE

COPY 2 — OE COMPUTER COP

PART I - GENERAL SECTION *(continued)*	PLEASE READ INSTRUCTIONS BEFORE COMPLETING THIS FORM.	FORM APPROVED OMB NO. 51-R0643
NAME OF INSTITUTION	ADDRESS *(Include city, State, and ZIP code)*	SERIAL NUMBER *(DSFA)* ENTITY NUMBER *(EN)* 1 -

SECTION C - NUMBERS OF AID RECIPIENTS AND AMOUNTS SPENT BY INCOME CATEGORY FOR UNDERGRADUATE DEPENDEN STUDENTS OR BY UNDERGRADUATE INDEPENDENT OR GRADUATE STATUS DURING FISCAL YEAR 1976

			UNDERGRADUATE DEPENDENT							
▨	ADP USE	TOTAL a	$0 TO $2,999 b	$3,000 TO $5,999 c	$6,000 TO $7,499 d	$7,500 TO $8,999 e	$9,000 TO $11,999 f	OVER $12,000 g	UNDER-GRADUATE INDEPEN-DENT h	GRADUA i
NDSL										
1. RECIPIENTS	1C010									
2. AMOUNT LENT	1C020	Account #26 column 3								
SEOG INITIAL YEAR										
3. RECIPIENTS	1C030									▨
4. AMOUNT SPENT	1C040	Account #5 col. f								▨
SEOG CONTINUING										
5. RECIPIENTS	1C050									▨
6. AMOUNT SPENT	1C060	Account #8 col. 4								▨
CWSP										
7. RECIPIENTS	1C070									
8. AMOUNT SPENT	1C080	Account #14 sum of col d								
TOTAL										
9. UNDUPLICATED NUMBER OF RECIPIENTS	1C090									
10. AMOUNT SPENT	1C100									

SECTION D - CERTIFICATION

WE CERTIFY that the information contained in this report is true and accurate to the best of our knowledge. We understand that these figures are subject to audit by representatives of the U.S. Commissioner of Education.

SIGNATURE OF DIRECTOR OF STUDENT FINANCIAL AID			SIGNATURE OF CHIEF FISCAL OFFICER		
TYPED NAME OF DIRECTOR		DATE SIGNED	TYPED NAME OF CHIEF FISCAL OFFICER		DATE SIGNED
AREA CODE	TELEPHONE NUMBER	EXTENSION	AREA CODE	TELEPHONE NUMBER	EXTENSION

WARNING: Any person who knowingly makes a false statement or misrepresentation on this form may be subject to a fine of up to $10,000 or to imprisonment of up to 5 years or to both under provisions of the United States Criminal Code. Such provisions may include, among others, 18 U.S.C. 1001.

OE FORM 1152-1, 6/76

REPLACES OE FORM 1152-1, 5/75, WHICH IS OBSOLETE

COPY 2 — OE COMPUTER COPY

PART II - NATIONAL DIRECT STUDENT LOAN PROGRAM	PLEASE READ INSTRUCTIONS BEFORE COMPLETING THIS FORM.	FORM APPROVED OMB NO. 51-R0843 SERIAL NUMBER *(DSFA)*
NAME OF INSTITUTION	ADDRESS *(include ZIP code)*	ENTITY NUMBER *(EN)* 1-

SECTION A - FISCAL REPORT *(CUMULATIVE)* AS OF JUNE 30, 1976

NDSLP ACCT. NO.	ITEM a		ADP USE	NO. OF BORROWERS b	DEBIT BALANCES c	CREDIT BALANCES d
1	CASH ON HAND AND IN DEPOSITORY		2A010		$	
2	FUNDS RECEIVABLE FROM FEDERAL GOVERNMENT		2A020		$	
3	FUNDS RECEIVABLE FROM INSTITUTION		2A030		$	
4	FUNDS ADVANCED TO STUDENTS		2A040		$	
5	LOAN PRINCIPAL COLLECTED		2A050			$
6	LOAN PRINCIPAL CANCELLED ON LOANS MADE PRIOR TO JULY 1, 1972 *(control)*		2A060			$
6.1	TEACHING SERVICE - 10% RATE	$	2A061			
6.2	TEACHING SERVICE - 15% RATE	$	2A062			
6.3	MILITARY SERVICE - 12-1/2% RATE	$	2A063			
7	LOAN PRINCIPAL CANCELLED ON LOANS MADE JULY 1, 1972 AND AFTER *(control)*		2A070			$
7.1	TEACHING SERVICE - 15% RATE	$	2A071			
7.2	TEACHING SERVICE - 20% RATE	$	2A072			
7.3	TEACHING SERVICE - 30% RATE	$	2A073			
7.4	MILITARY SERVICE - 12-1/2% RATE	$	2A074			
8	LOAN PRINCIPAL CANCELLED - DEATH		2A080			$
9	LOAN PRINCIPAL CANCELLED - DISABILITY		2A090			$
10	LOAN PRINCIPAL CANCELLED - BANKRUPTCY		2A100			$
11	LOAN PRINCIPAL ADJUSTMENTS - OTHER		2A110			$
12	FEDERAL CAPITAL CONTRIBUTIONS AUTHORIZED		2A120			$
13	REPAYMENTS OF FUND CAPITAL TO FEDERAL GOVERNMENT		2A130		$	
14	INSTITUTIONAL CAPITAL CONTRIBUTIONS		2A140			$
15	REPAYMENTS OF FUND CAPITAL TO INSTITUTION		2A150		$	
16	INTEREST INCOME ON LOANS		2A160			$
17	OTHER INCOME		2A170			$
18	REIMBURSEMENTS TO THE FUND OF AMOUNTS CANCELLED ON LOANS MADE JULY 1, 1972, AND AFTER		2A180			$
19	COSTS OF LITIGATION, ADMINISTRATIVE EXPENSES, AND OTHER COLLECTION COSTS *(control)*		2A190		$	
19.1	COSTS OF LITIGATION	$	2A191			
19.2	ADMINISTRATIVE EXPENSES	$	2A192			
19.3	OTHER COLLECTION COSTS	$	2A193			
20	COST OF LOAN PRINCIPAL AND INTEREST CANCELLED FOR TEACHING SERVICE ON LOANS MADE PRIOR TO JULY 1, 1972		2A200		$	
21	COST OF LOAN PRINCIPAL AND INTEREST CANCELLED FOR MILITARY SERVICE ON LOANS MADE PRIOR TO JULY 1, 1972		2A210		$	
22	COST OF LOAN PRINCIPAL AND INTEREST CANCELLED FOR TEACHING SERVICE ON LOANS MADE JULY 1, 1972, AND AFTER		2A220		$	
23	COST OF LOAN PRINCIPAL AND INTEREST CANCELLED FOR MILITARY SERVICE ON LOANS MADE JULY 1, 1972, AND AFTER		2A230		$	
24	COST OF LOAN PRINCIPAL AND INTEREST CANCELLED BECAUSE OF DEATH		2A240		$	
25	COST OF LOAN PRINCIPAL AND INTEREST CANCELLED BECAUSE OF DISABILITY		2A250		$	
26	COST OF LOAN PRINCIPAL AND INTEREST CANCELLED BECAUSE OF BANKRUPTCY		2A260		$	
27	OTHER COSTS OR LOSSES *(Specify)*		2A270		$	
28	TOTAL DEBITS AND CREDITS *(sum of lines 1 through 27)*		2A280		$	$

OE FORM 1152-2, 6/76

REPLACES OE FORM 1152-2, 5/75, WHICH IS OBSOLETE

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NATTS

PART II - NATIONAL DIRECT STUDENT LOAN PROGRAM *(continued)*	PLEASE READ INSTRUCTIONS BEFORE COMPLETING THIS FORM.	FORM APPROVED OMB NO. 51-R0843 SERIAL NUMBER (DSFA)
NAME OF INSTITUTION	ADDRESS *(include ZIP code)*	ENTITY NUMBER *(EN)* 1-

SECTION B - FISCAL INFORMATION ***(ANNUAL)*** **FOR THE PERIOD JULY 1, 1975 THROUGH JUNE 30, 1976**

*

	ADP USE	
1. FEDERAL CAPITAL CONTRIBUTION AUTHORIZED	2B010	$ Award letter dated 5/10 of previous year or Acct #1, line
2. FEDERAL CAPITAL CONTRIBUTION DEPOSITED OR REQUESTED BY JUNE 30, 1976	2B020	$ Account #21 sum of column #2
3. PERCENT OF AUTHORIZED FEDERAL CAPITAL CONTRIBUTION DEPOSITED OR REQUESTED BY JUNE 30, 1976 *(line 2 divided by line 1 times 100)*	2B030	$\frac{2}{1} \times 100$ %
4. AMOUNT OF AUTHORIZED FEDERAL CAPITAL CONTRIBUTION NOT REQUESTED BY JUNE 30, 1976 *(line 1 minus line 2)*	2B040	$ Line 1 minus Line 2
5. FUNDS ADVANCED TO STUDENTS IN FISCAL YEAR 1976	2B050	$ Account #26 # column 5
6. ADMINISTRATIVE EXPENSE ALLOWANCE FOR FISCAL YEAR 1976 *(generally may not exceed percent of line 5; see instructions)*	2B060	$ 4% of line 5 (see note in text)
7. NUMBER OF FIRST-TIME BORROWERS IN FISCAL YEAR 1976	2B070	# From Mastercards

8. REMARKS

* Must also equal Part I, Section A, line 6d as well as Part I, Section C, line 2a.

OE FORM 1152-2, 6/76 REPLACES OE FORM 1152-2, 5/75, WHICH IS OBSOLETE

COPY 2 — OE COMPUTER COPY

NATTS

FORM APPROVED, OMB NO. 51-R0843

PART II - NATIONAL DIRECT STUDENT LOAN PROGRAM *(continued)*

PLEASE READ INSTRUCTIONS BEFORE COMPLETING THIS FORM.

SERIAL NUMBER (DSF.

NAME OF INSTITUTION

ADDRESS *(include ZIP code)*

ENTITY NUMBER (EN)
1-

SECTION C - CUMULATIVE REPAYMENT INFORMATION AS OF JUNE 30, 1976

STATUS OF BORROWERS AS OF JUNE 30, 1976	ADP USE	NUMBER OF BORROWERS a	AMOUNT LENT b	PRINCIPAL AMOUNT REPAID OR CANCELLED c	PRINCIPAL AMOUNT OUTSTANDING d	PRINCIPAL AMOUNT PAST DUE e	PRINCIPAL AMOUNT IN DEFERRED STATUS f
1. TOTAL NUMBER OF BORROWERS AND AMOUNT ADVANCED	2C010		Acct #26, col 3 for all years	Acct #23, col 2 plus Acct 30, 31, 32, + 34 col 2 for all years	b-c		
2. BORROWERS WHOSE LOANS ARE FULLY RETIRED	2C020			▨	▨	▨	▨
3. TOTAL BORROWERS NOT IN REPAYMENT STATUS *(sum of lines 3.1 through 3.4)*	2C030		▨	▨		▨	▨
3.1 STUDENT STATUS AT YOUR INSTITUTION	2C031			▨		▨	▨
3.2 STUDENT STATUS AT ANOTHER INSTITUTION	2C032			▨		▨	▨
3.3 GRACE PERIOD	2C033			▨		▨	▨
3.4 DEFERMENT	2C034		▨	▨		▨	
4. BORROWERS ON SCHEDULE IN REPAYMENT STATUS	2C040		▨	▨		▨	▨
5. BORROWERS WHOSE ACCOUNTS ARE CURRENTLY PAST DUE - BY LENGTH OF TIME THAT ACCOUNT IS PAST DUE	▨	▨	▨	▨	▨	▨	▨
5.1 120 DAYS OR LESS	2C051		▨	▨			▨
5.2 121 DAYS UP TO ONE YEAR	2C052		▨	▨			▨
5.3 MORE THAN 1 YEAR UP TO 2 YEARS	2C053		▨	▨			▨
5.4 MORE THAN 2 YEARS UP TO 3 YEARS	2C054		▨	▨			▨
5.5 MORE THAN 3 YEARS UP TO 4 YEARS	2C055		▨	▨			▨
5.6 MORE THAN 4 YEARS UP TO 5 YEARS	2C056		▨	▨			▨
5.7 MORE THAN 5 YEARS	2C057		▨	▨			▨
5.8 *TOTAL ACCOUNTS DELINQUENT* *(sum of lines 5.2 through 5.7)*	2C058		▨	▨			▨
5.9 *TOTAL ACCOUNTS PAST DUE* *(sum of lines 5.1 and 5.8)*	2C059		▨	▨			▨

OE FORM 1152-2, 6/76 REPLACES OE FORM 1152-2, 8/75, WHICH IS OBSOLETE

COPY 2 — OE COMP CO

PART II - NATIONAL DIRECT STUDENT LOAN PROGRAM *(continued)*	PLEASE READ INSTRUCTIONS BEFORE COMPLETING THIS FORM.	FORM APPROVED OMB NO. 51-R0643 SERIAL NUMBER (DSFA)
NAME OF INSTITUTION	ADDRESS *(include ZIP code)*	ENTITY NUMBER *(EN)* 1-

SECTION D - COLLECTION ACTIVITIES AS OF JUNE 30, 1976

	ADP USE		
1. INDICATE WHETHER OR NOT YOUR INSTITUTION CURRENTLY FOLLOWS THE COLLECTION PROCEDURES IN APPENDIX 17 OF THE NDSL MANUAL.	2D010	☐ YES	☐ NO
2. INDICATE WHETHER OR NOT YOUR INSTITUTION USES THE SERVICES OF A BILLING AGENCY. IF "YES," ENTER THE NAME AND ADDRESS OF THE AGENCY IN THE REMARKS SECTION BELOW.	2D020	☐ YES	☐ NO
3. INDICATE WHETHER OR NOT YOUR INSTITUTION USES THE SERVICES OF A COLLECTION AGENCY. IF "YES," ENTER THE NAME AND ADDRESS OF THE AGENCY IN THE REMARKS SECTION BELOW, AND DESCRIBE THE RATE STRUCTURE FOR COMMISSIONS USED BY THE AGENCY.	2D030	☐ YES	☐ NO

If you answered "YES" to line 3 above, complete lines 4 through 10 below. If you answered "NO" to line 3 above, complete lines 7 through 10.

	ADP USE	NUMBER OF BORROWERS a	AMOUNT b
4. DELINQUENT ACCOUNTS CURRENTLY ASSIGNED TO THE AGENCY INDICATED IN LINE 3 ABOVE	2D040		$
5. AMOUNT COLLECTED DURING FISCAL YEAR 1976 ONLY BY THE AGENCY INDICATED IN LINE 3 ABOVE	2D050		$
6. AMOUNT PAID TO THE COLLECTION AGENCY AS ITS FEE FOR THE AMOUNTS INDICATED IN LINE 5 ABOVE	2D060	▨	Account #27 co $ less cost of on distance ca
7. DELINQUENT ACCOUNTS CURRENTLY IN LEGAL PROCEEDINGS	2D070		$
BORROWERS WITH WHOM YOU HAVE LOST CONTACT	2D080		$
9. PRINCIPAL AMOUNT COLLECTED DURING FISCAL YEAR 1976	2D090		Account #23 $ for this
10. PRINCIPAL AMOUNT DUE AND COLLECTIBLE AS OF JUNE 30, 1976 *(cumulative)*	2D100	▨	Part II, Sec $ line 1 c + 1e +

11. REMARKS

OE FORM 1152-2, 6/76   REPLACES OE FORM 1152-2, 5/75, WHICH IS OBSOLETE   6   COPY 2 — OE COMPUTER COPY

PA T III - SUPPLEMENTAL EDUCA- T NAL OPPORTUNITY GRANTS PROGRAM	**PLEASE READ INSTRUCTIONS BEFORE COMPLETING THIS FORM.**	FORM APPROVED OMB NO. 51-R0643
		SERIAL NUMBER (DSFA)
ME OF INSTITUTION	ADDRESS (include ZIP code)	ENTITY NUMBER (EN) 1-

OUNT SPENT IN THE SUPPLEMENTAL EDUCATIONAL OP- RTU TY GRANTS PROGRAM DURING FISCAL YEAR 1976		ADP USE	INITIAL YEAR a	CONTINUING YEAR b	TOTAL (a plus b) c
ORIGINAL SEOG AUTHORIZATION		3A010	$ Award letter or Acct #1, line 1	$ Award letter or Acct #1, line 2	$ 1a + 1b
AD STMENT TO ORIGINAL AUTHORIZATION	2.1 SUPPLEMENTAL AWARD	3A021	$ FROM ADJUSTED ALLOCATION		
	2.2 RELEASE OF FUNDS	3A022	$ LETTERS RECEIVED		
FIN L ADJUSTED SEOG AUTHORIZATION		3A030	$ 1a + 2.1a − 2.2a	$ 1b + 2.1b − 2.2b	$ 1c + 2.1c − 2.2c
AM NT TRANSFERRED FROM CWS AND SPENT IN SEOG		3A040	$ Account #3 memo of transfer	$ Account #6 memo of transfer	$ ≤ 10% (Part IV, line 1 + line 2.1c)
AMOUNT SPENT FOR AWARDS TO STUDENTS		3A050	$ Account #5 column f	$ Account #8 column 4	$ 5a + 5b
AD NISTRATIVE EXPENSE ALLOWANCE (not to exceed 3 p ent of line 5)		3A060	$ Account #4 memo of admin	$ Account #7 memo of admin	$ 6a + 6b
SEOG AMOUNT TRANSFERRED TO AND SPENT IN CWS		3A070	$ Account #3 memo of transfer	$ Account #6 memo of transfer	$ ≤ 10% (line 1c plus line 2.1c)
TO L EXPENDITURES FROM SEOG AUTHORIZATION (sum of lines 5, 6, and 7 minus line 4)		3A080	$ 5a + 6a + 7a − 4a	$ 5b + 6b + 7b − 4b	▨
UN PENDED SEOG AUTHORIZATION (line 3 minus line 8)		3A090	$ 3a - 8a	$ 3b - 8b	▨
PERCENT OF FINAL ADJUSTED AUTHORIZATION WHICH WAS EXPENDED DURING FISCAL YEAR 197 (line 8 divided by line 3 times 100)		3A100	$\frac{8a}{3a}$ x 100 =	$\frac{8b}{3b}$ x 100 =	▨

		ADP USE	AMOUNT
INTEREST EARNED BY SEOG FUNDS DURING FISCAL YEAR 1976		3A110	$ Normally $0
NUM ER OF INITIAL YEAR RECIPIENTS DURING FISCAL YEAR 1976		3A120	# From Mastercards If both IY and CY received by student, count in both categories
NU ER OF CONTINUING YEAR RECIPIENTS DURING FISCAL YEAR 1976		3A130	#
EL IBLE MATCHING FU S PROVIDED TO SEOG RE PIENTS IN FISCAL YEAR 1976	a. BASIC EDUCATIONAL OPPORTUNITY GRANTS PROGRAM	3A140	$ From Mastercards
	b. NATIONAL DIRECT STUDENT LOAN PROGRAM		$
	c. COLLEGE WORK-STUDY PROGRAM		$
	d. INSTITUTIONAL AID (all types)		$
	e. OTHER AID (eligible outside sources)		$
	f. TOTAL (must be equal to or greater than line 5, column c above; see instructions) (sum of lines a through e)		$ 14a + 14b + 14c + 14d + 14e

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PART IV - COLLEGE WORK STUDY PROGRAM	PLEASE READ INSTRUCTIONS BEFORE COMPLETING THIS FORM.	FORM APPROVED OMB NO. 51-R0643
		SERIAL NUMBER (DSFA)
NAME OF INSTITUTION	ADDRESS *(include ZIP code)*	ENTITY NUMBER *(EN)* 1-

AMOUNT SPENT IN THE COLLEGE WORK-STUDY PROGRAM DURING FISCAL YEAR 1976		ADP USE	AMOUNT
1. ORIGINAL CWS AUTHORIZATION		4A010	Award letter or $ Account #1, line 4
2. ADJUSTMENT TO ORIGINAL AUTHORIZATION	2.1 SUPPLEMENTAL AWARD	4A021	From adjusted $ letter if receiv
	2.2 RELEASE OF FUNDS	4A022	▨
3. FINAL ADJUSTED CWS AUTHORIZATION		4A030	$ 1 + 2.1
4. AMOUNT TRANSFERRED FROM SEOG AND SPENT IN CWS		4A040	Account #19 $ by memo
5. TOTAL EARNED COMPENSATION		4A050	Account #12, $ sum of column b
6. INSTITUTIONAL SHARE (OFF-CAMPUS AGENCY SHARE)		4A060	Account #12 $ sum of colum
7. FEDERAL SHARE		4A070	Account #12 $ sum of colum
8. ADMINISTRATIVE EXPENSE ALLOWANCE *(not to exceed 3 percent of line 5)*		4A080	Account #19 $ by memo
9. CWS AMOUNT TRANSFERRED TO AND SPENT IN SEOG		4A090	Account #19 $ by memo
10. *TOTAL FEDERAL EXPENDITURES FROM CWS AUTHORIZATION* *(sum of lines 7, 8, and 9 minus line 4)*		4A100	7 + 8 + 9 $ − 4
. UNEXPENDED CWS AUTHORIZATION *(line 3 minus line 10)*		4A110	$ 3 − 10
12. PERCENT OF FINAL ADJUSTED AUTHORIZATION WHICH WAS EXPENDED DURING FISCAL YEAR 1976 *(line 10 divided by line 3 times 100)*		4A120	$\frac{10}{3}$ x 100 =
13. INTEREST EARNED		4A130	$ normally #0
14. NUMBER OF STUDENTS EMPLOYED UNDER THE CWSP FOR THE FIRST TIME DURING FISCAL YEAR 1976		4A140	# from Masterc[illegible]s

REPORT OF ON-CAMPUS AND OFF-CAMPUS EMPLOYMENT DURING FISCAL YEAR 1976 *(July 1, 1975 through June 30, 1976)*	ADP USE	NUMBER OF STUDENTS a	FEDERAL SHARE b
15. ON-CAMPUS EMPLOYMENT	4A150	Not applicable # Organized as	unless Schoo[illegible]is $ non-profit
16. OFF-CAMPUS EMPLOYMENT	4A160	#	$

17. REMARKS

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OE FORM 1152-4, 6/76 REPLACES OE FORM 1152-4, 5/75, WHICH IS OBSOLETE 8

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APPENDIX D

SOURCES OF STUDENT INFORMATION

SOURCES OF STUDENT INFORMATION

What are the various sources of information for informing different types of potential students about financial aid programs? In particular, how does OE advertise the Campus-Based and Basic Grant programs?

Potential students can become aware of financial aid programs through a diversity of sources and media (e.g., print, broadcast, posters, etc.). The most prevalent among these is the U.S. Office of Education, which will be discussed in more detail below. Other prominent sources include counselors, teachers, financial aid officers, admissions officers and coaches at high schools and postsecondary institutions; scholarship services (i.e., ACT and CSS); State and local government agencies; and public libraries. In addition, less formal, word-of-mouth sources serve as an effective means for imparting information about the aid programs to potential students. Typically, these are family, peers and community organizations. The full range of sources which are helpful to students in learning about financial aid programs will be derived from the student survey.

Despite this wealth of information sources, the Division of Training and Dissemination, BSFA, has launched a campaign to advertise these programs. Directed primarily at the high school population, this effort includes disseminating pocketed posters containing Basic Grant applications and distributing student financial aid fact sheets and a brochure entitled "Federal Student Financial Aid: Where Do You Fit In?"[1] to 25,000 high schools, public libraries, and community organizations throughout the nation. Further, a toll-free WATS line number is maintained by a contractor in order to provide general program information and respond to specific inquiries concerning the completion of the Basic Grant application. In addition, a publication on institutions participating in the Campus-Based programs has been distributed to high schools and banks across the nation.

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[1] See Attachment A.

In concert with these efforts, the Division of Training and Dissemination has undertaken a training project to promote a better understanding of financial aid programs among secondary school personnel. For example, a Basic Grant Training Project slide/cassette presentationwasd developed and distributed to 25,000 high schools last year. This drew such a favorable response that there are plans to redevelop it into a filmstrip. Secondly, beginning this Fall, two sets of workshops, sponsored by a consortium of NASFAA, APGA, and NACUBO, will be run for high school counselors and administrators. The thrust of the workshops is to create a center of expertise among these individuals in order to minimize the assistance needed from the Federal government.

With respect to the student consumer information services provided to prospective and enrolled students in postsecondary institutions, USOE has issued a regulation describing the services these schools must provide. The regulation, which became effective in January, 1978, stipulates that institutions must provide the following information:

- Available financial assistance, including information on all Title IV programs as well as their own and State programs.
- Cost of attending that institution, its refund policy, student eligibility, and criteria used by the institution to select financial aid recipients and determine award amounts.
- A sample loan repayment schedule that will show a student what he or she is signing up for. Apparently some students are unaware of their obligation to repay education loans and are surprised when they are faced with large monthly payments after their education is completed.

Moreover, institutions must prepare for distribution a statement of the rights and responsibilities of students receiving Title IV grants and loans, a description of academic programs, and figures showing percent of students having completed a particular course of study, if figures are available.

Finally, each college or vocational school must have an employee or a group of employees available full-time to help all students obtain information. However, this requirement may be waived for an institution too small to need a full-time employee.[1]

Public service television spots to advertise the Basic Grant program are used to a limited extent; however, for the most part, this approach has been largely discontinued as it is very costly. Another reason for all but abandoning their use is that the vast majority of high schools are award of and promote the program. Moreover, since the introduction of the Multiple Data Entry, students automatically apply for BEOG. Similarly, in many states when students apply for a State Grant they apply for BEOG. Finally, many colleges are heavily involved in recruiting students and therefore publicize the availability of aid.

Most of the advertising is focused on the Basic Grant program since BEOG provides an entitlement directly to the student without the institution serving as the intermediary. Further, it is the Division's philosophy that it lies with the student him/herself to pursue information about the other aid programs.

What criteria are used to determine the allocation of funds to information dissemination projects?

At present, the Division of Training and Dissemination is primarily interested in upgrading the skills of the personnel in secondary and postsecondary institutions. With regard to the former, the focus is on the provision of accurate information to prospective aid recipients while the latter emphasizes the better administration of the student financial assistance programs. Accordingly, information dissemination is "people-oriented" and is directed towards those who play a role in financial aid, as opposed to saturating the public at large. Thus, funds are largely allocated to training activities. (A detailed discussion of the current training thrust is presented in the section on regional office visit procedures.)

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[1] BSFA *Bulletin*, February, 1978, p. 5.

Strategies for advertising student financial assistance programs have changed over time. Originally, for example, very little was aimed at reaching high school students, the bulk of effort centering instead on postsecondary education institutions. Now, however, the opposite holds true. Changes have also taken place with respect to the funds allocated among different dissemination approaches. For example, during the mid-1960s, the Johnson Administration placed a high priority on advertising the programs. Thus, they were highlighted on public service television spots due to the pervasiveness of the medium. During the Nixon Administration, however, a change of policy occurred in that the Administration attempted to deemphasize the Campus-Based programs. Consequently, little propagandizing was done for fear of undermining the Administration's position.

Among the current information dissemination projects are: (1) the Basic Grant Training Project slide/cassette presentation; (2) operating handbooks which are distributed in conjunction with this presentation; and (3) the BSFA Bulletin, a combination of news and policy, which is distributed to some 48,000 institutions and banks each month. Further, materials are exhibited at major national conferences (e.g., APGA), and members are encouraged to distribute them. Finally, an approach which is directed at the general public is the use of a brochure entitled "Federal Student Financial Aid: Where Do You Fit In?" Eye appeal and an emphasis on attracting the attention of different types of students were considered in the development of the brochure.

In addition to the efforts undertaken by USOE to disseminate financial aid information, there exists an information dissemination network, the "Coalition," which includes people from ACT, CSS, NACUBO, and OE. An outgrowth of the Keppel Task Force, the "Coalition" meets on a regular basis for the purpose of determining program policy and serves as the primary vehicle for communicating with non-Federal agencies to inform them of new developments.

How does OE distribute application forms for the Basic Grant program? How many are distributed to each category or information source? Who is available to answer questions at these distribution points?

Pocketed Basic Grant posters which contain applications are distributed to high schools (25,000), public libraries, community organizations and Social Security Administration offices throughout the country. Since the introduction of the Multiple Data Entry, however, this practice has been largely curtailed as the majority of institutions use the forms distributed by CSS or ACT. In addition, application forms are distributed on-request. No data are available with respect to the number of applications sent to each distribution point.

While Basic Grant applications are distributed to numerous locations across the nation, people are unavailable to answer specific questions about the program, with the exception of informed high school counselors and personnel in state aid agencies. However, a toll-free WATS line number is maintained by a contractor in order to respond to specific inquires about the program.

How much money does OE spend on advertising, by program? How does this compare with other Federal agency outlays on advertising?

Information regarding the costs to OE associated with advertising the student financial assistance programs was unavailable. Consequently, no effort was made to obtain the advertising costs incurred by other Federal agencies.

ATTACHMENT A

STUDENT FINANCIAL AID PAMPHLET

ATTACHMENT A

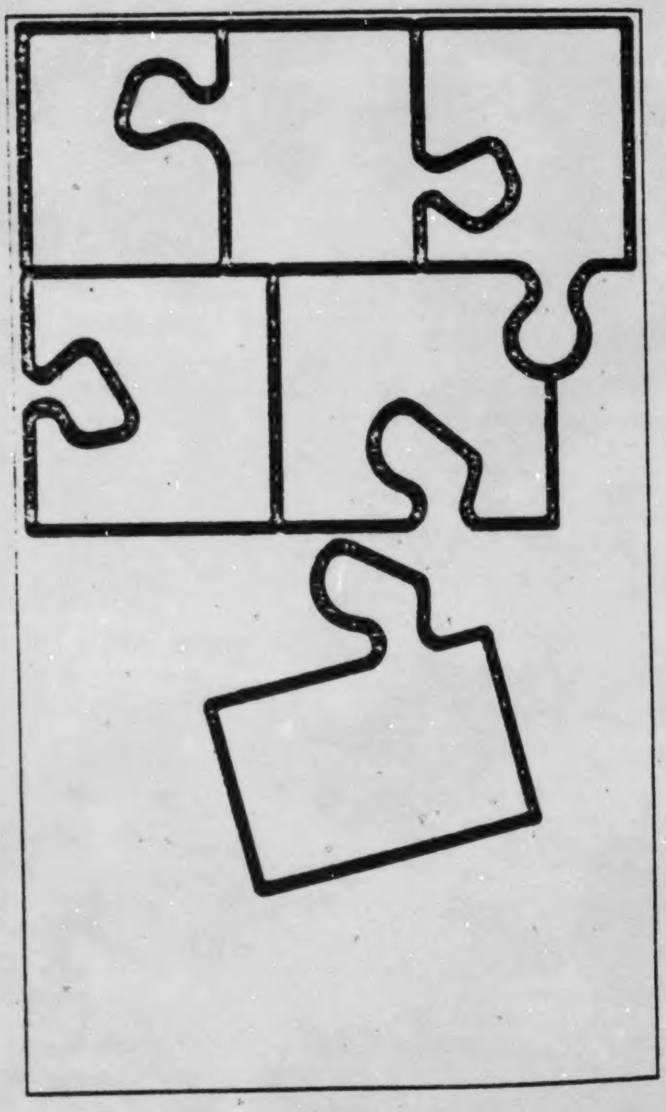
Federal Student Financial Aid

U.S. Department of Health, Education, and Welfare
Office of Education
HEW Publication No. (OE) 78-17701

Where do you fit in?

Completing this puzzle can be worth $5,000; $10,000; $15,000 or more

Discrimination prohibited. No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance, or be so treated on the basis of sex under most educational programs or activities receiving Federal assistance.



Going on to college or vocational school after high school can cost a lot of money—sometimes as much as $5,000, $10,000, $15,000, or more.

Because of this you may think that college is only for the rich or for those straight A students who get scholarships.

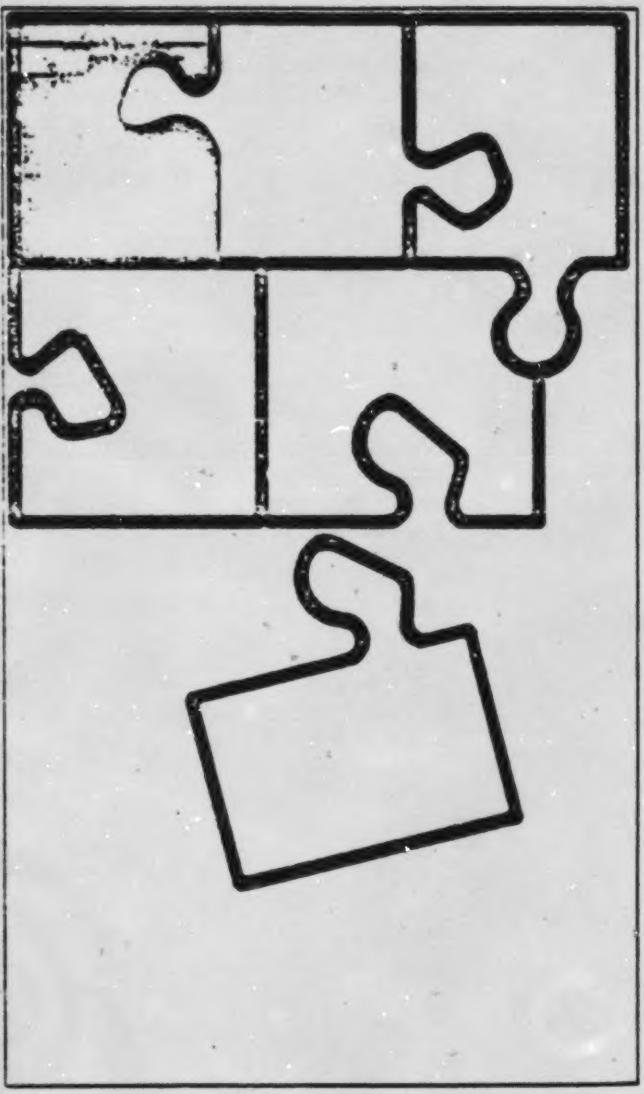
It isn't. You may be able to go to college or vocational school no matter how little money you have and even if your grades are not outstanding.

Students from middle and even upper income families may also be able to get help.

Whether you want to become a doctor or an auto mechanic, a teacher or a space technician, an artist or an animal trainer, you may be able to get money for your training from or through the Federal Government.

But in order to get this financial assistance, you should learn about the various student ai programs and find out how you can fit into the picture.

Financial Aid



What is Federal Student Financial Aid?

Money the U.S. Government sets aside to help students continue their education after high school.

Who can get aid?

You probably can if your parents can't afford to send you to vocational school or college and if:

- You are accepted as a full- or half-time student, taking courses in an eligible college or vocational school.
- You are a U.S. citizen or permanent resident.

How can you get aid?

By learning about financial aid from your high school guidance counselor and applying through the financial aid office of the college or vocational school you have chosen.

What kinds of financial aid programs exist?

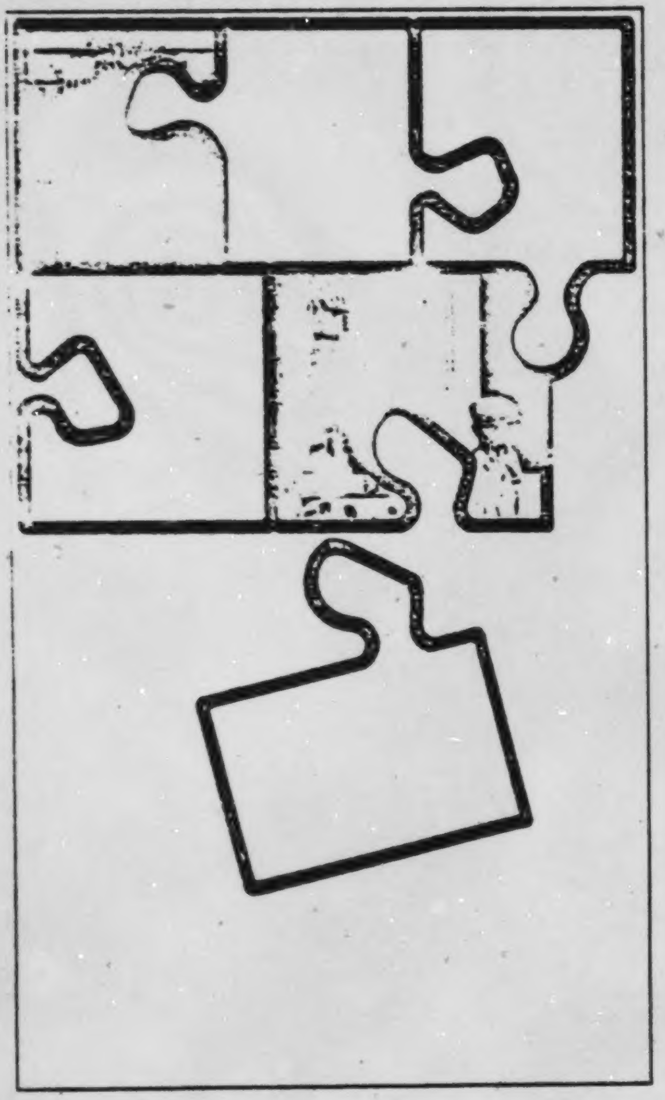
There are four kinds of Federal financial aid programs:

- Grants
- Loans
- Work-Study
- Benefits

You may be able to fit into one or more of these programs.

Grants

Grants are gifts of money. You never have to pay back gran . They are given on the basis of financial need—the more you need the help the more money you should be able to get. Federal grants that may be available to you are:



Basic Educational Opportunity Grant (BEOG): More than two million students will receive Basic Grant this year. About three-fourths of them will come from families earning less than $10,000 a year and one-fourth from families earning up to about $25,000 a year. Those who quali will receive from $200 up to $1,800 per year.

Supplemental Educational Opportunity Grant (SEOG): These grants are for students who have very serious money problems—students who couldn't continue their schooling except for this aid. These grants are worth from $200 to $1,500 a year.

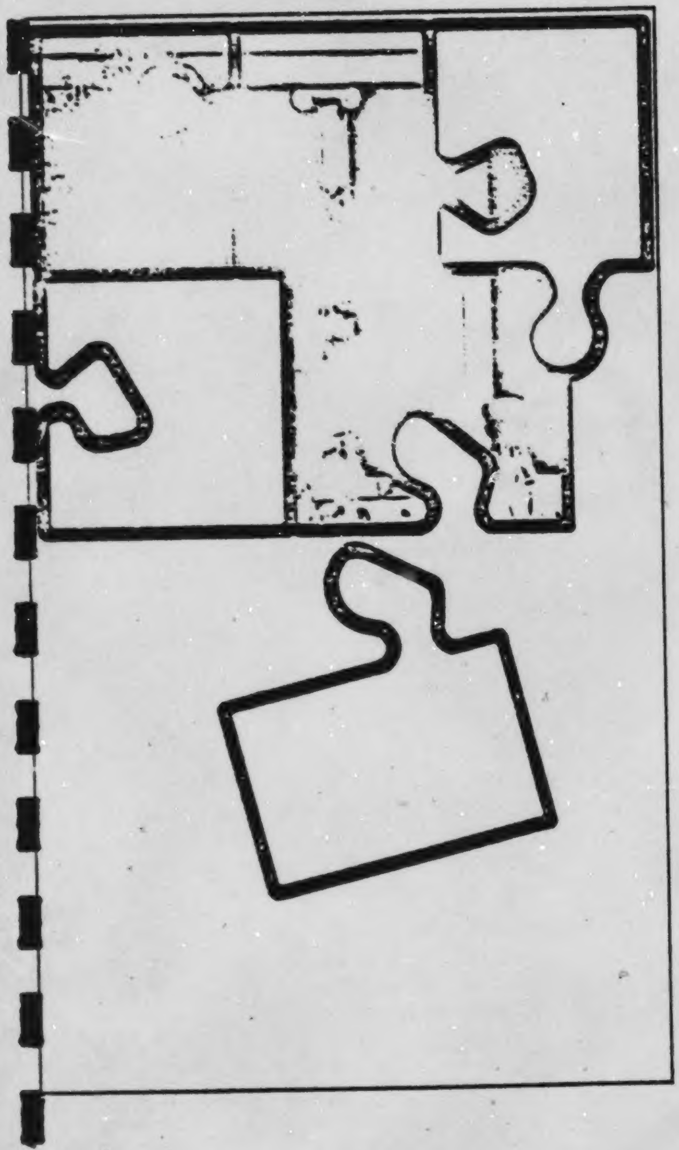
Student State Incentive Grant Program (SSIG): The Sta give out these grants, which are made up of equal parts of State and Federal money. This grant can be worth as much as $1,500 a year.

Law Enforcement Education Program (LEEP): If you are already working in the field of law enforcement (for a police department or the highway patrol, for example) you may be able to quali for a LEEP grant of up to $800 a year. People who get these grants have to agree to stay in the field of law enforcement for 2 years aft the training is over.

Work-Study Program

In a work-study program you are given a part-time job to help you put yourself through school.

There is only one Federal work-study program:

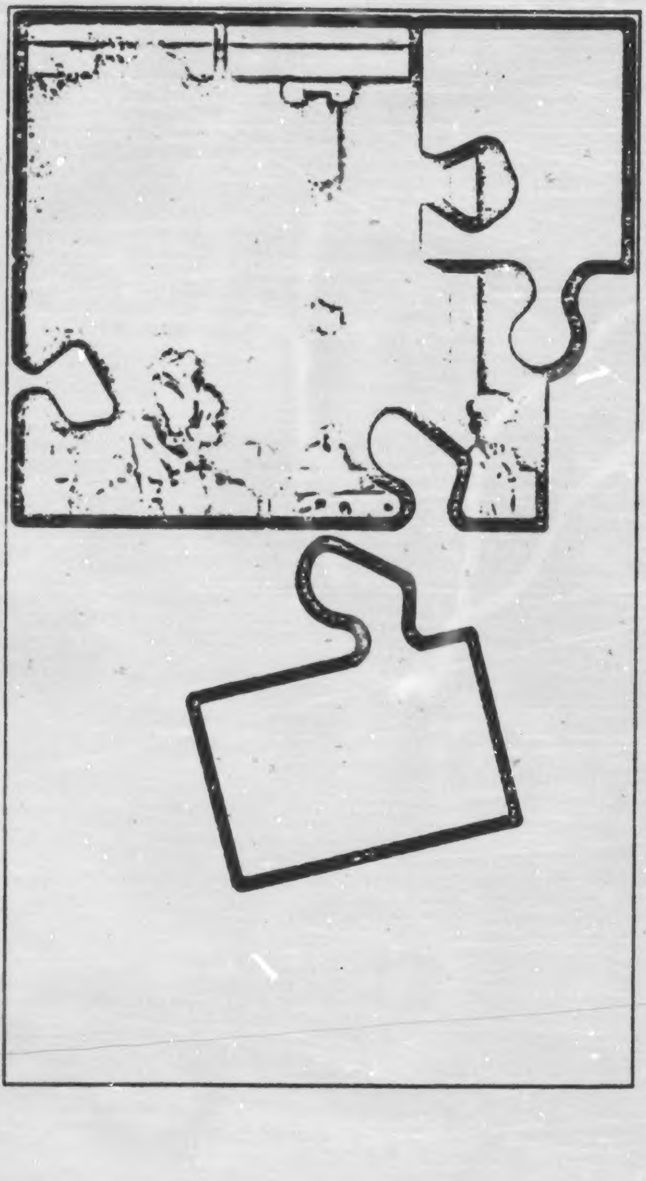


College Work-Study Program (CWSP): Although this is called "college" work-study, it also applies to vocational schools. In this program students work at jobs on the school campus or off campus at nonprofit organizations.

Preference is given to students with the greatest financial need, who meet the other qualifications.

To get a job in a work-study program, apply to the financial aid office of the college or vocational school you want to attend.

Loans



The Federal Government gives money to colleges and vocational schools to make loans to students. It also may help you get a loan from a private lender. *You must pay loans back* after you graduate or leave school. Repayment begins from 9 to 12 months after your schooling ends.

Before you take out any loan, make sure you know how much interest you will be charged and how much your monthly repayments will be.

National Direct Student Loan (NDSL): This low interest (3%) loan is made directly to needy students by the college or school that has received Federal money for this purpose. If you qualify, you may borrow up to $5,000 for 4 years of college or $2,500 for 2 years of vocational school or college.

Guaranteed Student Loan (GSL): This higher interest (7%) loan is available to almost any student regardless of financial need. A private lender such as a credit union or bank or sometimes a school or a State agency makes this loan directly to you. A student can borrow up to $2,500 each year or a total of $7,500 for 4 years.

Nursing Student Loan: Loans of up to $2,500 a year not to exceed a total of $10,000 are available to qualified needy students attending accredited schools of nursing. Interest is 3%.

Health Education Assistance Loan: Students who have graduated from college and who are continuing their studies in the health professions can borrow up to $10,000 a year (except pharmacy students, who are limited to $7,500 a year) for their training. These loans are made through professional schools and interest as high as 12% can be charged.

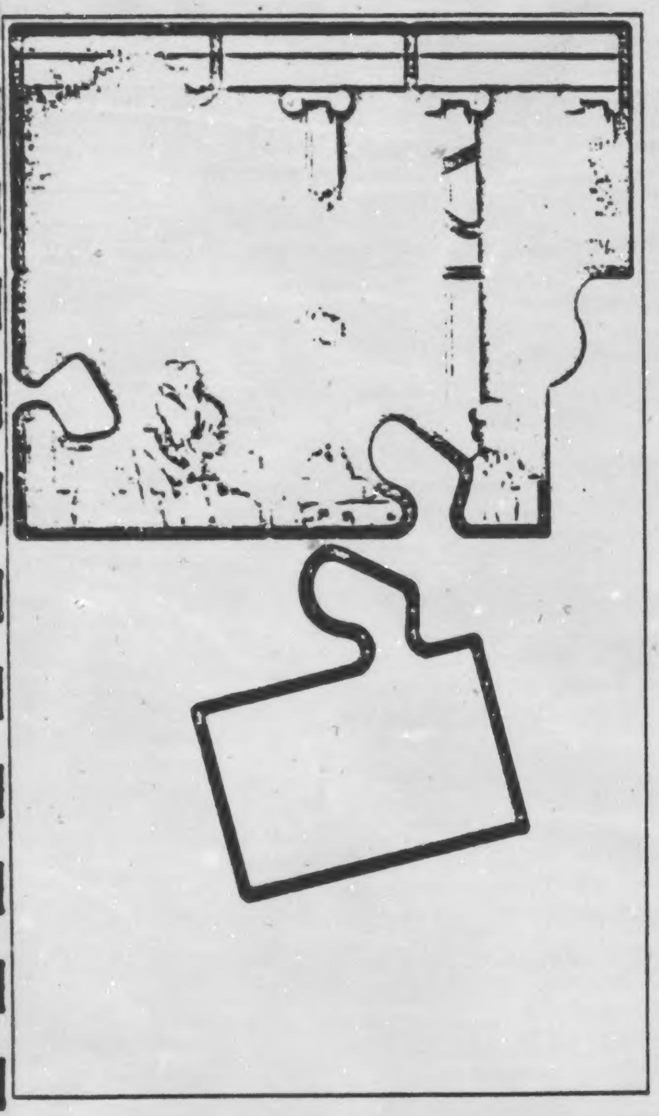
Law Enforcement Education Program (LEEP): Loans up to $2,200 a year are available to students in law enforcement. The loans are canceled at 25% for each year of full-time law enforcement employment after training.

Health Professions Student Loan: Loans equaling the cost of tuition plus $2,500 per year are made by health professions schools directly to their students. Interest is 7%.

Benefits

Benefits are funds some people are entitled to under special conditions. Like grants, benefits do not have to be repaid.

If you have served in the Armed Forces or if one of your parents is on Social Security, you can get money for school.

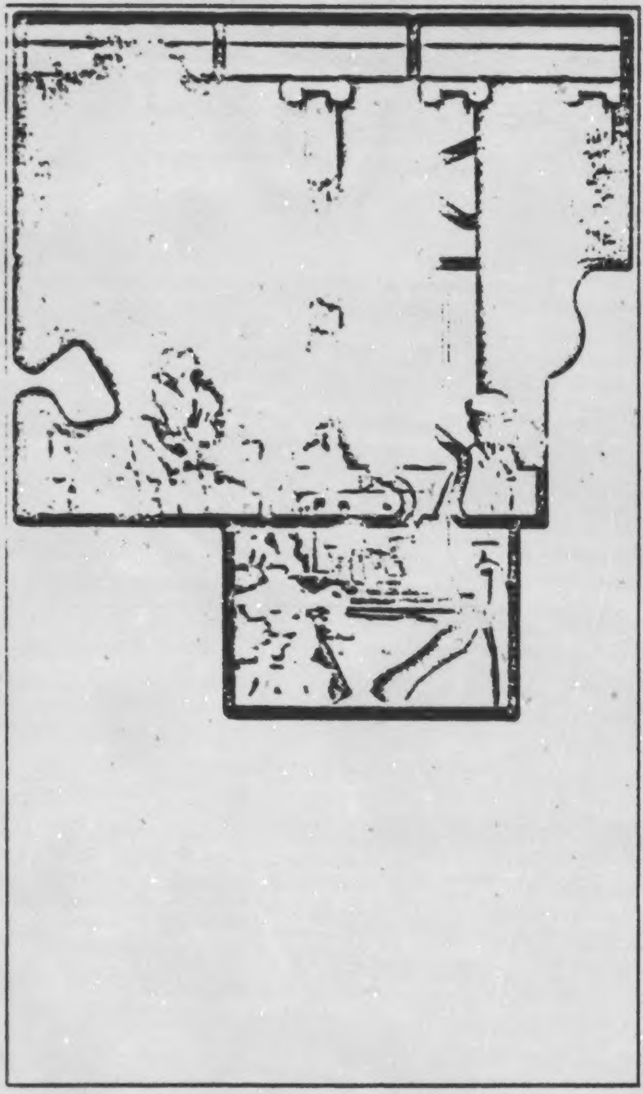


GI Bill Benefits: ~~If you were honorably discharged from~~ the Armed ~~Forces, education benefits are~~ available upon ~~application to the Veteran's~~ Administration.

Social Security: If one of your parents is receiving Social Security, you are eligible for school benefits if you are between 18 and 21 years old, attend college or vocational school full time, and are unmarried.

Junior GI Bill: If you are between 18 and 26 and one of your parents was permanently and totally disabled or died as a result of service in the Armed Forces, you are eligible for up to $270 per month for 36 months of training.

Where do you fit in?



For more information about these Federal student aid programs, see your high school guidance counselor or the financial aid officer at any college or vocational school.

If you have questions they cannot answer, you may contact the Federal Government directly by writing to:

Bureau of Student Financial Assistance
P.O. Box 84
Washington, D. C. 20044

Early in high school begin learning about all sources of student financial aid. There are State loans and grants, and private scholarships and benefits, as well as incenti grants and loans for medicine, law enforcement, and other special fields.

By fitting yourself into the financial aid picture, you will be putting together the pieces of a better future.

APPENDIX E

BEOG APPLICATION PROCESSING AND VALIDATION

VALIDATION OF BEOG DATA

How are data on BEOG applications validated? How are invalid data corrected?

There are a series of procedures that are employed by the Office of Education (OE) to assure data validity. These may be viewed in two basic categories--the first is procedures that are applied before the applicant receives his Student Eligibility Report (SER). The second is the validation procedures that presently exist and are applied after the SER is processed.

Pre-Validation Control Mechanisms

There are two types of actions that are taken prior to providing the SER to the student. The first deterrent to misreporting is the requirement that the student (and parent, if the student is dependent) must sign a certification statement attesting to the validity of all information reported on the application form. The applicants and parents are advised that intentional misrepresentation on the application form subjects them to a fine, imprisonment or both under provisions of the United States Criminal Code. In addition, the applicant's and parents' signatures on the certification statement include their agreement to provide any documentation, including the Federal Income Tax Return, necessary to verify information reported on the application. Applications cannot be processed without the appropriate signatures.

The second procedure for deterring misreporting is comprised of a series of computerized edits that are applied to the application data. These edits are designed to detect obvious inconsistencies and are not "screens" for validation. There are three basic types of edits which may be defined in terms of their severity. Explanations and examples of the three edit types follow:

- Review edits--When an applicant submits data that appear to be outside the normal range, or when the applicant submits data that do not appear to be consistent with other reported data, he/she receives a comment printed on the SER to review the data in question and to submit a correction if the data item in question is erroneous. If a student submits no correction, it is assumed that the reported data were correct. Thus, the student does not take any action to confirm validity, but must only take an action if the data are in error. Some examples[1] of conditions which result in a review comment follow:

- If a dependent applicant reports a (current) household size to be three or more greater than the number of exemptions (taken from the prior Income Tax Return), the following comment is printed on the SER:

> REVIEW SECTION 1 FOR CORRECTNESS OF INFORMATION. PAY PARTICULAR ATTENTION TO BOX 17. IF CORRECT, YOU DO NOT NEED TO TAKE ANY ACTION ON THIS ITEM. IF INCORRECT, SEND CORRECTIONS TO BOX 0, IOWA CITY, IOWA 52240.

- If an applicant/parent reports the same amount of taxable income as nontaxable income, the following comment is printed on the SER:

> CHECK THE AMOUNTS REPORTED OR ASSUMED FOR NON-TAXABLE INCOME AND ADJUSTED GROSS INCOME (BOXES 20 AND 22). IF THE SAME INCOME HAS NOT BEEN LISTED TWICE, YOU DO NOT NEED TO TAKE ANY ACTION ON THIS ITEM. IF THE SAME INCOME IS LISTED MORE THAN ONCE, MAKE THE APPROPRIATE CHANGES AND RETURN THIS REPORT TO BOX 0, IOWA CITY, IOWA 52240.

- If an applicant/parent reports business, investments or real estate debts to be larger than the value of the business, investments or real estate values, the following comment is printed:

> REVIEW SECTION 1 FOR CORRECTNESS OF INFORMATION. PAY PARTICULAR ATTENTION TO ASSET DATA. IF CORRECT, YOU DO NOT NEED TO TAKE ANY ACTION. IF INCORRECT, SEND CORRECTIONS TO BOX 0, IOWA CITY, IOWA 52240.

These comments are written at varying levels of explicitness. As evidenced by the examples presented above, in some instances the applicant is told the reason why the data appear suspicious or erroneous, and in other instances he/she is simply advised to review the data.

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[1] Taken from: Implementation and Operation of the Basic Educational Opportunity Grant Application Processing System: Phase II Procedural Manual. The American College Testing Program, April, 1977.

- Assumption edits--When an applicant fails to complete a data item that is used in the calculation of the eligibility index, and the data can be logically assumed from other information that has been reported, the application processor assumes a value for the missing value. In addition, if the dependent applicant reports the number in post-high school to be the same as the household size, the processor assumes that the number in post-high is one. Examples of the assumption conditions and comments follow:
  - If a dependent applicant reports that parents are married and amounts of income for each parent, but fails to report adjusted gross income, the processor adds the portions earned by both parents and the following comment is printed on the SER:

    ASSUMED PARENTS' 1976 ADJUSTED GROSS INCOME = $99,999.

  - If an applicant reports the same number of household members in post-high school as the household size, the processor assumes that the number of household members enrolled in post-high education is one, the following comment is printed on the SER:

    ASSUMED ONE PERSON IN PARENTS' HOUSEHOLD IN POST-HIGH SCHOOL EDUCATION IN 1977-1978.

  - If a parent fails to report the (current) household size but does report the number of exemptions (reported on the previous year's Federal Income Tax Return), the processor assumes the household size to be equal to the number of exemptions, and the following comment is printed on the SER:

    ASSUMED PARENTS' HOUSEHOLD HAS 99 MEMBERS.

As was true with some of the review comments, the assumption comments typically do not point out why the value is being assumed. Instead, the applicant is told the value and is advised to submit a correction if the assumption is in error. Thus, as was also true for the review comments, no action must be taken by the applicant to confirm the validity of the assumed value.

- <u>Rejection comments</u>--These are the most restrictive since they require that the applicant take an action--to either confirm or correct a data item--before the eligibility index is calculated. Rejection edits are applied when the applicant has failed to supply a data item necessary to calculate the eligibility index, or when the data provided are significantly out of range relative to the rest of the data base or relative to other information reported by the applicant. Some examples of conditions which will generate a rejection, and the comments resulting from a rejection follow:

  .. If a dependent applicant fails to provide income or tax data, no eligibility index is computed and the following comment is printed on the SER:

```
GIVE THE FOLLOWING INFORMATION ABOUT 1976 INCOME:
  PARENTS' 1976 NON-TAXABLE INCOME $________.
  NUMBER OF PERSONS CLAIMED AS 1976 FEDERAL INCOME
    TAX EXEMPTIONS ________.
  PARENTS' 1976 ADJUSTED GROSS INCOME $________.
    INCOME EARNED BY FATHER $________.
    INCOME EARNED BY MOTHER $________.
  1976 FEDERAL INCOME TAX PAID $________.
  1976 FEDERAL ITEMIZED DEDUCTIONS $________.
```

  .. If the dependent applicant reports portions earned by one and/or both parents to be larger than the adjusted gross income, no eligibility index is computed and the following comment is printed on the SER:

```
THE INCOME EARNED BY FATHER AND/OR MOTHER IS
LARGER THAN THE AMOUNT GIVEN FOR 1976 ADJUSTED
GROSS INCOME.  THIS APPEARS TO BE AN ERROR.  IF
AMOUNTS ARE CORRECT, CHECK HERE ____, AND RETURN
THIS REPORT.  IF INCORRECT, PROVIDE THE FOLLOWING:
  PARENTS' 1976 ADJUSTED GROSS INCOME $________.
    INCOME EARNED BY FATHER $________.
    INCOME EARNED BY MOTHER $________.
```

  .. If an independent applicant reports income to be inconsistent with the amount of Federal income tax paid, based upon the number of exemptions claimed and the amount of itemized deductions, no eligibility index is computed and the following comment is printed on the SER:

```
THE AMOUNTS YOU HAVE LISTED FOR NON-TAXABLE INCOME,
ADJUSTED GROSS INCOME EARNED BY APPLICANT AND
SPOUSE, AND FEDERAL INCOME TAX PAID APPEAR TO BE
INCONSISTENT.  IF AMOUNTS ARE CORRECT, CHECK
HERE ______, SIGN AND RETURN THE LAST COPY OF THIS
REPORT.  IF INCORRECT, PROVIDE THE FOLLOWING
AMOUNTS:
  APPLICANT AND SPOUSE'S 1976 NON-TAXABLE
    INCOME $________.
  NUMBER OF PERSONS CLAIMED AS 1976 FEDERAL
    INCOME TAX EXEMPTIONS ____.
  1976 ADJUSTED GROSS INCOME $________.
    INCOME EARNED BY APPLICANT $________.
    INCOME EARNED BY SPOUSE $________.
  1976 FEDERAL INCOME TAX PAID $________.
  1976 FEDERAL ITEMIZED DEDUCTIONS $________.
```

.. If an applicant or parent reports Federal income taxes paid to be 50 percent or more of adjusted gross income, no eligibility index is computed and the following comment is printed on the SER:

```
REVIEW SECTION 1 FOR CORRECTNESS OF INFORMATION.
  PAY PARTICULAR ATTENTION TO BOXES 22, 25 AND 26.
  IF AMOUNTS ARE CORRECT, CHECK HERE _____, AND
    RETURN THIS REPORT.  IF INCORRECT, PROVIDE
    THE FOLLOWING AMOUNTS:
    1976 ADJUSTED GROSS INCOME $________.
    1976 FEDERAL INCOME TAX PAID $________.
    1976 FEDERAL ITEMIZED DEDUCTIONS $________.
```

Although the rejection comments also vary in the degree to which they explain the reason for rejection, they tend to be generally more explicit than the assumption comments. As was previously stated, these conditions are of a more serious nature and require the applicant to take an action to confirm, correct or provide data before the eligibility index is computed.

Since the BEOG program was initiated, the edit procedures have become considerably more stringent in an effort to protect the integrity of the program. Many of the conditions that would have previously resulted in a review comment (which requires no action to confirm) are now resulting in the rejection comments which do require the applicant to take an action. However, unless the applicant is selected for validation, his/her response (or non-response) to any of the comments will not be challenged by OE. It should be noted, however, that the edit comments may be observed by the Financial Aid Officer when he/she is determining the amount of the award. Thus, if the applicant has confirmed suspicious data, he/she may be required by the Financial Aid Officer to supply substantiating documentation. However, based upon the paucity of Institution Referral validation cases, it appears that few Financial Aid Officers examine the SER any further than the eligibility index.

Validation Mechanisms

The second major component of systems designed to protect the integrity of BEOG data is a series of formal validation procedures.

Validation occurs primarily through letter contacts with students and parents. A toll-free telephone service is also provided to assist students in fulfilling the validation requests. The three generic types of validations share the same general procedures for student/parent contact. However, prior to student/parent contact the following procedures occur for each type of case:

> Institution Referrals are reviewed to determine whether the case is valid for follow-up. This includes ascertaining whether adequate evidence[1] has been provided to indicate possible misreporting, whether the Financial Aid Officer had interpreted regulations correctly, etc. This screening activity always includes a call to the referring institution to assure that the most up-to-date information has been provided. These calls typically are also necessary to obtain a complete background on the case. Once the case is deemed valid for follow-up and the complete background has been obtained, the case may be opened. Opening an institution referral case entails entering the case into the hard copy and automated validation files, placing the application records on "hold,"[2] preparing a letter to the Financial

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[1] Institution referral validations are usually made on the basis of a conflict between the SER and other document(s), in the institution's files such as an ACT Family Financial Statement, a CSS Parent Confidential Statement, a copy of the Federal Income Tax return, a student's veteran's record. Some cases are referred on the basis of the observation and general knowledge of the student's circumstances by the aid officer. Others are made on the basis of students' disclosures in counseling sessions.

[2] An indication on the applicant's file in Iowa City that the student is undergoing validation and no transactions may be accepted unless they are approved by the validation contractor.

Aid Officer advising him/her that the student is being contacted and whether or not future disbursements should be withheld,[1] obtaining a copy of the latest SER from the BEOG processor for enclosure with the student contact letter, and preparing a letter to the independent student or the dependent student's parents advising him/her/them of the validation requirements. Institution referral cases are the most costly to resolve. Since they have already been attempted unsuccessfully at the institution level, they are usually complicated and difficult. The complexities are further exacerbated by the fact that Institution Referral cases involve validation of any data item[2] for any application year.

Prior to student contact, Pre-established Criteria cases are selected from the applicant data base by the processing contractor according to specifications developed by the validation contractor and approved by OE. The processing contractor performs these services under a subcontract to the validation contractor; this and other activities in support of validation are not included in the application processing contract. Prior to selecting applicants, tabular displays are developed to show how many applicants meet each criterion, the spread of applicants on each criteria. The validation contractor, in conjunction with the Office of Education, specifies how many applicants are to be selected on the basis of the "misreporting index." The misreporting index is the sum of points assigned to each cell in which the applicant appeared in the tabular displays. The processor then selects the applicants for validation, places the applicants on hold status, generates SERs and a data file and forwards these materials to the validation contractor. Name and address labels generated from the applicant data file are attached to form letters sent to students and parents.

OE/ACT Referrals are initiated according to two procedures, based upon the nature of these referrals. Cases selected according to the processing edits are treated as Pre-established Criteria cases (although no misreporting index is applied). Cases referred by letter through the OE/BEOG staff are reviewed to determine which item(s) for which application year(s) are in question so that the appropriate letter may be prepared.

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[1] An institution is not allowed to withhold a disbursement unless adequate evidence exists in the institution's file. Payments may not be upheld on the basis of undocumented suspicions about assets, for example. Nearly all institution referrals do involve withholding payment pending satisfactory case resolution.

[2] The majority of institution referral cases, however, are based upon income discrepancies.

Similar to the other types of validation cases, OE/ACT referrals are placed on "hold" status for the duration of the validation process.

For all types of validation cases, students and parents are sent an initial letter identifying the data items for which they must supply documentation. Pre-established Criteria cases and OE/ACT referrals treated as Pre-established Criteria cases are required to supply the following documentation to validate the data items listed below:

Adjusted Gross Income	- Federal Income Tax Forms 1040 or 1040A and W-2 statements
Federal Income Taxes Paid	- Federal Income Tax Form 1040 or 1040A
Household Size	- Notarized statement indicating number of household members at the time of application
Number in post-high education	- Notarized statement naming household members and schools they are (or planning on) attending
Non-taxable Income	- Notarized statement(s) from each agency/source of nontaxable income indicating the annual amount received by all household members.

For Institution Referral cases and referrals made by OE, its contractors or other third party, the item in question is validated. Depending upon the item, it is either validated through a document or a notarized statement of confirmation, and the validation request is made in individually tailored letters. The student or parent must obtain and review the requested documents and make corrections on the SER (if any are necessary) and submit the documents and properly signed SER to the validation office for review. The basic validation procedures[1] are illustrated very simplistically in Exhibit E.1.

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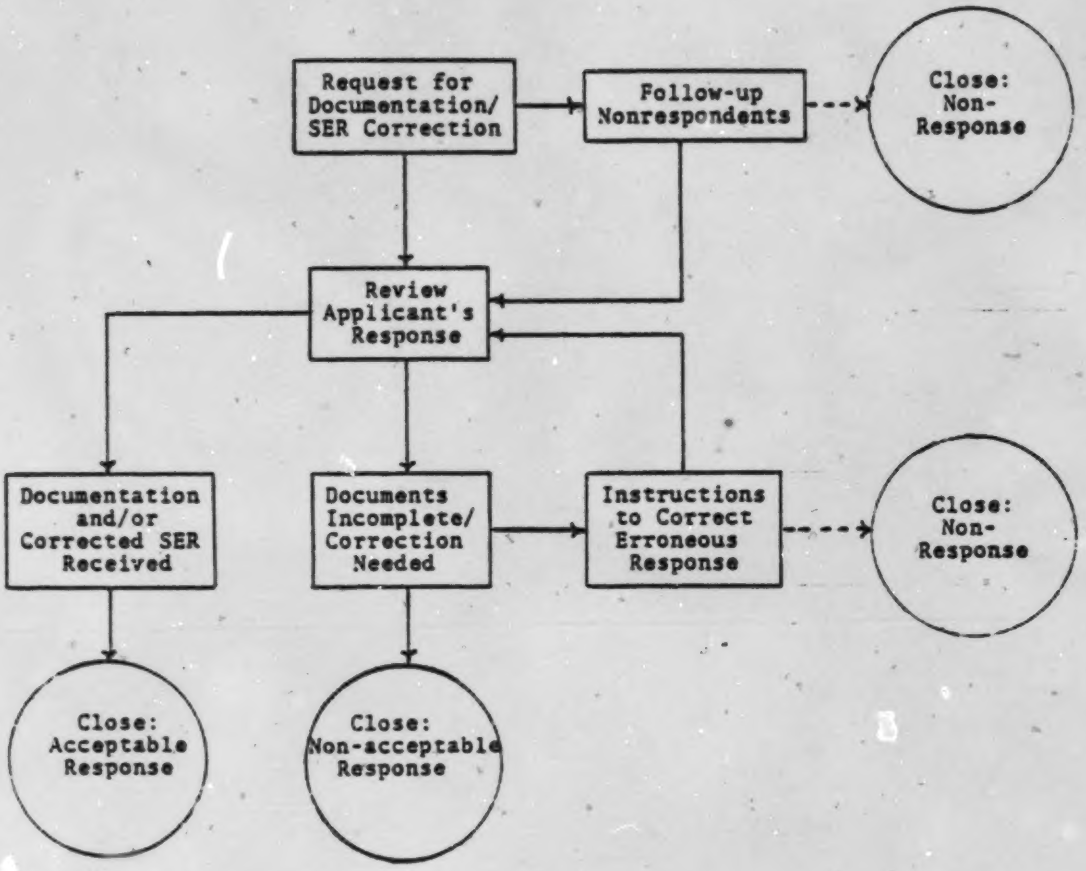
[1] Detailed descriptions of all validation procedures may be found in the "1977-78 Comprehensive Validation Guide," Applied Management Sciences, July 29, 1977.

EXHIBIT E.1: SUMMARY OF VALIDATION PROCEDURES


Request for Documentation/ SER Correction
Follow-up Nonrespondents
Close: Non-Response
Review Applicant's Response
Documentation and/or Corrected SER Received
Documents Incomplete/ Correction Needed
Instructions to Correct Erroneous Response
Close: Non-Response
Close: Acceptable Response
Close: Non-acceptable Response

A case may be resolved for the following reasons:

- Acceptable documentation was supplied that substantiates all of the data items in question. In such cases, the applicant is sent an acknowledgement letter, and his/her file in Iowa City is released from hold status. In Institution Referral cases, the Financial Aid Officer is advised to release the BEOG payment(s).
- An appropriate SER correction was made. The corrected SER is forwarded to Iowa City for reprocessing and the student and institution (if known)[1] are advised that the corrected SER will be processed within six weeks and the appropriate award adjustment should be made. The student's record in Iowa City is released from hold, and the institution is advised to contact OE if the new SER is not presented by the student.
- The student never responds to the initial request or follow-ups; or the student fails to respond to instructions to correct an erroneous response. These cases are referred to OE for possible further contact, and the applicant's record remains on hold status in Iowa City. In Institution Referral cases, the Financial Aid Officer continues to withhold payment. In other case types the institution[1] is instructed to suspend payments.
- The student responds, but fails to respond appropriately after receiving instructions to correct an erroneous response. These cases are referred to OE for possible further contact, and the applicant remains on hold status. In Institution Referral cases, the Financial Aid Officer continues to withhold payment. In other case types the institution[1] is instructed to suspend payments.
- The applicant reports that he/she is not enrolling in post-secondary education for the academic year in question (occurs only in Pre-established Criteria and OE/ACT Referral cases). The applicant's file is released from hold status upon closure for this reason.
- The Office of Education decides that special circumstances prohibit pursuing the case. Cases closed for this reason include applicants who died or who are eligible to file a supplemental. Such applicants are released from hold status.
- The validation office is unable to contact the student because he/she has moved without notifying the Postal Service of the new address. Institution Referral cases

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[1] In Pre-established Criteria cases and OE/ACT referrals, the institution is not known unless the student reports it (as requested) or unless it was indicated on the initial application.

closed for this reason remain on hold status and payments are continued to be withheld. Pre-established Criteria cases are released from hold. OE/ACT referrals may or may not be released, depending upon the reason for referral.

Table E.1 summarizes the mode of case resolution for 1975-76 cases and 1976-77 cases in percents:

TABLE E.1: MODES OF CASE RESOLUTION

Modes of Resolution:	1975-76		1976-77	
	PEC	IR	PEC	IR
Acceptable Documentation	27	13	12	11
SER Correction	29	86	37	59
OE Resolution	5	01	4	6
Nonresponse	30*	**	39*	24*
Non-acceptable Response	*	**	*	*
Student did not use grant	***	***	4	0
Unable to contact student	8	0	4	6

NOTE: All figures are taken from final report statistics; percents are based upon total closed cases.

*Non-response and non-acceptable response was one closure mode in 1975-76 and 1976-77.

**In 1975-76 contacts were ongoing and no cases were closed for these reasons at the end of the contract.

***In 1975-76 included in OE resolution category.

It is significant to note that while the majority of Institution Referral cases are closed due to an acceptable SER correction, the plurality of Pre-established Criteria cases are closed due to non-response or a nonacceptable response. This may be related to the incentives for applicants in each case category. Most students referred by institutions have had their awards suspended; further, they have been contacted previously by the institution and the student is aware the institution possesses documents that indicate the SER is in error. Awards are not withheld for Pre-established criteria and OE/ACT Referral cases since no documentary evidence indicates that the SER is in error. The only incentives for students to respond are the threat of award suspension and possible repayment, and interception of all future applications. Present regulations do not allow the repayment threat for nonrespondents to be carried out; however, the current year's payments can be suspended if the applicant indicated the institution he/she is attending on the application or in a communication with the validation office. In these cases a letter is sent to the Financial Aid Officer indicating that the validation request and that future payments should be withheld. In cases where the institution is unknown (approximately 20 percent), no action can be taken to intercept the current year's award. In addition, given that validation cases are open for four to six months, most students have already received a full disbursement before they are closed due to nonresponse or nonacceptable response.

IMPACTS ON INSTITUTIONS

Regardless of the type of validation case, the institution plays a key role in the validation process. At the present time no empirical data are available on institutional validation procedures. However, based upon contacts with institutions through the validation contract, it appears that validations occur through two modes. One is the systematic comparison of the SER with other documents in the student's financial aid portfolio. The second is through discoveries of discrepancies on a non-systematic basis. These may result from disclosures made by the student or a report by a third party informant. If the institution compares the SER with other documents, clerical staff must be provided to make comparisons. In most instances these comparisons are made on income only. If a discrepancy is found, regardless of the mode of discovery, most institutions prepare a letter to the student indicating the discrepancy and requesting that the student meet with the Financial Aid Officer so that a determination can be made of whether the SER contains erroneous data. If the student cooperates, the aid officer meets with the student and the student makes the correction, if necessary.

The institutions presently vary in the extent to which they pursue a student. Some make one or two student contacts while others attempt numerous contacts. If the institution is unsuccessful in resolving a case, the aid officer prepares a letter to the validation office describing the case history, the items in question, and the evidence indicating the possible error. After the case is referred, the aid administrator can expect a telephone call from the validation office for an update on the case, and in some instances additional information. When the case is opened by the validation contractor, a letter is sent to the aid officer advising him/her of whether or not to withhold payments. A copy of the validation office's letter to the student is enclosed for the aid officer's information. During the validation process, the validation office generally does not re-contact the aid office. In a few cases the student leaves the institution and the aid officer may be contacted for the new address.

In any type of validation, the student may go to the aid officer for assistance in fulfilling the validation requirements. The extent to which students do this is unknown. It is known that this does occur, however, because in a small percentage of the validation cases the aid officer dispenses erroneous advice to the students about how to comply with the validation requests. In some cases the aid officer reviews the documents and advises the student that everything is in order and that no further actions are necessary. Unfortunately, this may not be communicated to the validation office. This results in the student's file remaining on hold status and suspension of the award.

When an Institution Referral case is closed, the institution is always informed of the resolution of the case. If the applicant succeeded in supplying documents to confirm the SER, the institution is advised to release the award. If a correction was submitted, in any type of validation case, the institution is advised to anticipate a new SER to re-calculate the amount of the award, to adjust the payments, or to recover overpayments. The institution is also instructed to contact the Office of Education if the student fails to present the newly corrected SER.

What percentage of BEOG applications, by student type, were determined to have inconsistent or incorrect data? Which data items were most often incorrect?

Institutional Referrals

Approximately 20 percent of the Institutional Referrals had inconsistent or incorrect data. Table E.2 provides a comparison of cases requiring corrections.

TABLE E.2: COMPARISON OF CASES REQUIRING CORRECTIONS

Type of Referral	Student Type	
	Dependent	Independent
Institutional Refund	14.6%	8.9%
OE Refferals	13.5%	2.7%

The data items which were most often incorrect include:

- number of dependent children enrolled in postsecondary education institutions
- veteran's education benefits
- medical/dental expenses
- taxes paid

Pre-established Criteria

Of those applicants selected from the data base who meet criteria that have been established empirically as indicative of misreporting, approximately 50 percent had inconsistent or incorrect data. Forty six percent of these cases were submitted by dependent students and 34 percent by independent students.

The data items from PEC Cases which were most often incorrect include:

- taxes paid
- portions of earned income
- adjusted gross income

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How might a person receive more than one Basic Grant award and/or be overawarded? What is done to prevent this?

There are several ways for a student to receive more than one Basic Grant award. These include:

- The student drops out of one school, takes a copy of the SER to a new school and the new school doesn't check up on the student's history. Resolution: nothing is done.
- The student enrolls in more than one school concurrently and receives awards from each school. Resolution: Referred to validation contractor if it's discovered, and if the Financial Aid Officer chooses to follow it up. This student may also be detected when Program Information and Monitoring System awards are updated.
- The student may use false names and obtain a SER for each false name; and, then receive grants using the false names at one or more institutions. Resolution: Might be caught through validation or if someone reported the case.
- The school may erroneously pay the student twice. Resolution: Since the institution is liable for such overpayments, this does not happen very frequently.

There are also situations in which a student might be overawarded. These include:

- The institution makes an error in calculating the educational costs and/or need or the school misreads the payment schedule.
- The student drops out of school before the end of the semester covered by the award.
- The student picks up the check and fails to complete registration and/or pay fees and/or attend class.
- The student is not a U.S. citizen.
- The student has already completed the requirements for a baccalaureate degree.
- The student reduces his/her courseload from full-time to three-quarters, half, or less than half-time status which reduces his/her eligibility.
- The student puts incorrect information on the application and ends up with a lower eligibility index than he/she should have.

- The student fails to abide by the terms of the student affidavit, i.e. does not use the money for educational purposes at the school which disbursed the award.

As is evident from examining the list of ways students receive more than one award and/or overpayment it becomes understandable why it is very difficult to identify such cases; and, therefore, very hard to prevent these situations from occurring. Overpayments are especially difficult to prevent since Financial Aid Officers are not required to report them. Institutions are liable only if the overpayment is the result of an institutional error.

Validation should reduce the number of overpayments which result from incorrect SERs. Unfortunately, non-taxable income and VA/SSA benefits often contain errors which are just additional obstacles to preventing overpayment of awards.

In order to reduce the amount of misappropriation of funds, the validation contractor has suggested that OE needs to provide the students with a clear picture of the strings attached to the acccept-ance of a grant. These include:

- Use the money only at the school which disburses the award.
- The money is to be used for a specific period of time or semester. Failure to stay in school for the whole term requires the student to make a repayment.
- Getting sick doesn't release the student from the obligation to use his/her BEOG according to the terms of the Student Affidavit of Educational Purpose.

It is further recommended that OE needs to encourage the schools to:

- Maintain tighter control over disbursements.
- Seriously consider making awards in several portions instead of a lump sum at the beginning of the term.
- Report and follow-up all instances of overpayment.

OE needs to:

- Close up loopholes in the regulations.
- Prosecute a couple of fraud cases and publicize successful outcomes.

- Publicize the pre-award validation effort.
- Publicize the overpayment recovery effort.
- Figure out some way to inform schools if students have already received a BEOG during the same school year or term; and
- Cut off SER processing for students who owe repayments.

What is the annual BEOG cost specifically for validating application data?

This year the validation process was altered placing the responsibility for validating applications on the institutions as well as the validation contractor.

The costs to OE to have the validation contractor perform the following functions are:

• developmental costs	$ 84,360
• validity of Institutional Referral costs (up to 10,000 cases)	436,322
• validity of cases by alternate disbursement system	88,783
• telephone service for validation	125,000
• technical support (collections, data analysis, etc.)	125,000
• analysis and reporting for validation	45,000
• analysis of impact studies on validation of institutions	75,328
	$979,793

The total value of the contract is $1,493,205. The difference between the itemized amounts and the total contract value is for costs associated with performing analytic studies plus collecting overpayment.

It is relatively impossible to ferret out the true cost from the hidden cost for institutional validation. Institutional validation was initiated in December, 1977 and the costs associated with it are intertwined with other costs. Some of the costs incident to institutional validation were for an administrative allowance, training, OE staff responsibilities, and to change the contract.

BASIC GRANT APPLICATION PROCESSING

What are the procedures and timing of the submission of Basic Grant applications?

Students who wish to apply for a Basic Grant must submit an "Application for Determination of Basic Grant Eligibility" that contains several indicators of financial strength (including income and assets) and offsets (e.g., taxes paid, number of household members, and number of members enrolled in postsecondary education institutions) for the appropriate academic year. Students must apply each year, and they should apply for a Basic Grant even if they have applied for other financial aid. Application forms are available at institutions of postsecondary education, high schools, public libraries and other locations easily accessible to students. Since the application requests actual financial data for the tax year prior to the year of application, applications cannot be submitted until the tax year ends. However, the deadline for receipt of application forms for the following academic year is generally around mid-March.

Once the student completes the form, he/she submits it to the American College Testing Program (ACT), the Basic Grant processing contractor. ACT reviews the application, and if adequate data have been supplied, calculates an eligibility index (SEI) and returns it to the student on a Student Eligibility Report (SER)[1]. Applicants who receive SEIs between zero and 1200 are eligible for an award.[2] The SER can then be submitted by the student to the financial aid office of any eligible institution he/she chooses for determination of the exact amount of the award. The amount of the student's scheduled award depends on the studnet's eligibility index and the actual costs of attending the institution and whether or not the student is enrolled full- or part-time.

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[1] The processing agency does not exercise any discretion in the examination of the student-provided data but simply makes the mechanical calculation based on the formula approved by Congress for the academic year.

[2] Between zero and 1600 in 1979.

What is the turn-around time of the processing of basic grant applications?

After the student submits the Basic Grant application, it takes four to six weeks to receive his Student Eligibility Report (SER). If any corrections are made on the SER, it will take another three to four weeks for these corrections to be made.

What are the procedures and timing of the submission of supplemental applications and application corrections?

When there has been a dramatic, verifiable change in a family's financial circumstances, a student may submit a Supplemental Form estimating the current year's income which will be used to calculate his/her eligibility index instead of the income reported for the previous year.

An applicant must meet one of the following conditions in order to be eligible to use estimated income information:

1. A parent or spouse who received income in the previous year died.
2. A parent or spouse who earned income in the preceding year has experienced a complete loss of all employment for at least ten weeks in the current year.
3. A parent or spouse who earned income in the previous year has been unable to pursue normal income-producing activities during the present year for at least 10 weeks, due to either disability occurring in the preceding or current year or a natural disaster that occurred in the current year.
4. A parent or applicant has become separated or divorced after a Basic Grant application has been submitted.
5. The applicant who was employed for an average of 35 hours per week for at least 30 weeks during the previous year is no longer employed on a full-time basis in the current year.

A Supplemental Form must be submitted with a Basic Grant application form. Reported income from the preceding year must be reported on the Basic Grant application form and estimated income for the current year must be provided on the Supplemental Form where a specific condition applies.

If the application has already been submitted and the student eligibility index has been calculated, the applicant who meets one of the above conditions may request a recomputation of the eligibility index by submitting a Supplemental Form together with a new application.

Approximately six weeks after submitting an application, a student will receive the SER. It is the student's responsibility to make any necessary corrections on the SER, according to the directions on it and to resubmit it.

As with the Basic Grant application, the Supplemental Form becomes available in late January each year and may be submitted until March of the following year. The student has over 13 months in which to submit forms or corrections, so no exceptions are made to the cut-off dates.

What has been the number of applications on a month-to-month basis since the inception of the program? What has been the distribution by student type of applicants and of eligibles on a month-to-month and on an aggregate basis?

The number of applications to the Basic Grant program has been increasing markedly in the years since the program's inception in 1973. From about one-half million that year, the number of applications processed grew seven-fold to just over 3.5 million in 1976-77. The proportion of applicants determined to be eligible for a Basic Grant has increased slightly from almost 56 percent to about two-thirds over the four years. Table E.3 provides the exact figures for the numbers of applications processed and qualifying as well as giving the breakdown of these statistics by the dependent vs. independent status of the students.[1] As can be noted from these data, the

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[1] No data were available on a month-to-month basis.

TABLE E.3: BASIC GRANT PROGRAM APPLICATION STATISTICS

	1973-74	1974-75	1975-76	1976-77
Number of Applications Processed	512,866	1,304,877	2,339,337	3,590,379
Number of Applications Returned (Insufficient data)	100,862	190,793	160,641	181,661
Number of Valid Applicants	482,331	1,114,084	2,178,696	3,426,504
Number of Applicants Qualified	268,444	681,648	1,455,187	2,262,348
Number of Applicants not Qualified	213,887	432,436	723,509	1,164,156
Percentage of Valid Applicants Qualifying	55.7%	61.2%	66.8%	66.0%
Data Summary of Valid Applicants				
1. DEPENDENT STUDENTS				
Number of Valid Applications from Dependent Students	423,229	896,366	1,594,454	2,187,004
Percentage of Valid Applications from Dependent Students	87.7%	80.5%	73.2%	63.8%
Number of Dependent Applicants who Qualify	232,641	532,705	1,021,936	1,394,738
Percentage of Dependent Applicants who Qualify	55.0%	59.5%	64.1%	63.8%
2. INDEPENDENT STUDENTS				
Number of Valid Applications from Independent Students	59,102	217,718	584,242	1,234,500
Percentage of Valid Applications from Independent Students	12.3%	19.5%	26.8%	36.2%
Number of Independent Applicants who Qualify	39,803	148,943	433,251	867,610
Percentage of Independent Applicants who Qualify	60.6%	68.4%	74.2%	70.0%

proportion of independent applicants has increased dramatically from about one-eighth in 1973-74 to over one-third in 1976-77. Table E.4 gives the breakdown of applicants by income categories over the years 1973-74 through 1976-77 which shows that the income distribution among Basic Grant applicants has shown very little change over time.

TABLE E.4: DISTRIBUTION OF TOTAL APPLICANTS BY INCOME RANGE FOR 1973-74, 1974-75, 1975-76, AND 1976-77

TOTAL APPLICANTS	INCOME RANGE						TOTAL
	$0-$2,999	$3,000-$4,499	$4,500-$5,999	$6,000-$8,999	$9,000-$11,999	$12,000+	
1973-74	17.0% (81,897)	9.3% (45,137)	9.1% (43,475)	18.3% (88,354)	17.9% (86,291)	28.4% (136,817)	100.0% (482,331)
1974-75	18.4% (205,071)	10.5% (117,175)	9.4% (104,305)	16.7% (186,123)	14.8% (165,271)	30.2% (336,139)	100.0% (1,114,084)
1975-76	20.4% (445,488)	10.8% (235,460)	9.4% (204,420)	15.9% (346,623)	13.0% (282,633)	30.5% (644,072)	100.0% (2,178,696)
1976-77	22.0% (752,766)	11.3% (386,052)	9.6% (327,891)	15.7% (540,348)	12.0% (411,415	29.4% (1,008,02])	100.0% (3,426,504)

As might be expected, the proportion of applicants for 1976-77 who are eligible is highest in the lower income categories (as seen in Table E.5).

TABLE E.5: TOTAL APPLICANTS BY ELIGIBILITY STATUS AND INCOME RANGE

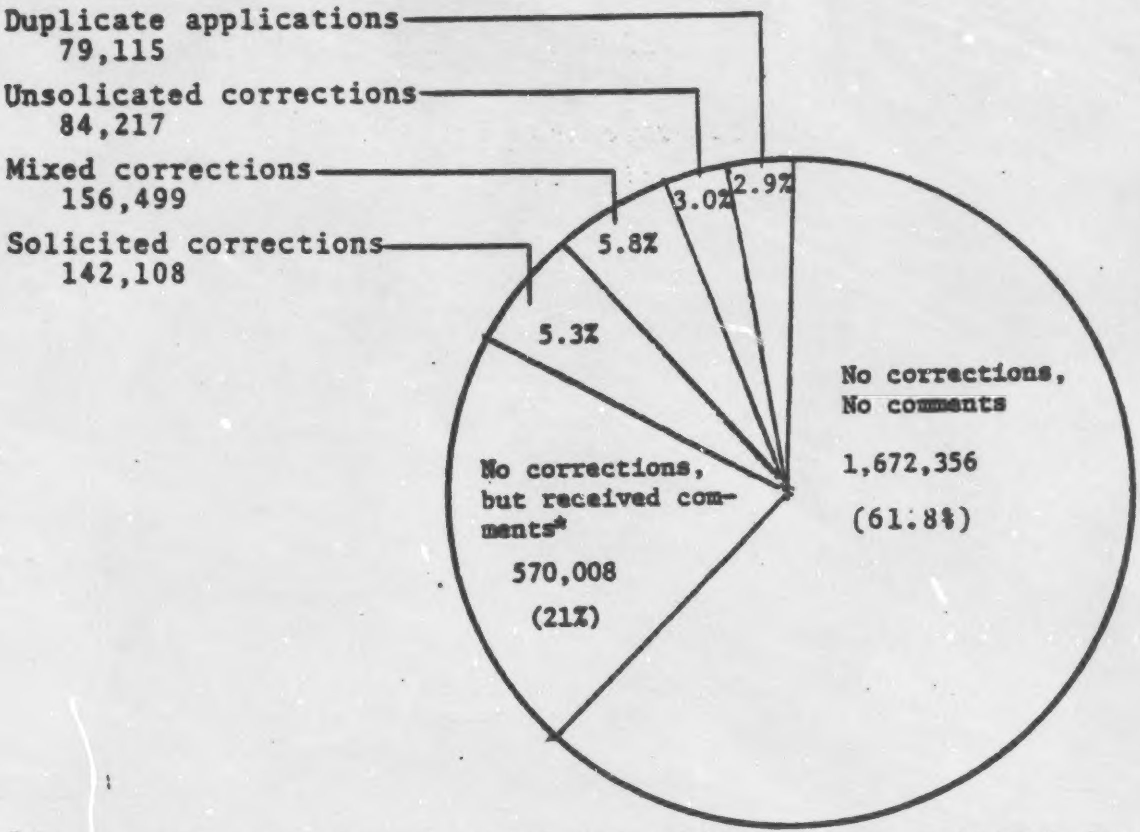
TOTAL APPLICANTS	INCOME RANGE (1976-1977)						TOTAL
	$0-$2,999	$3,000-$4,499	$4,500-$5,999	$6,000-$8,999	$9,000-$11,999	$12,000+	
Qualifying	96.2%	81.2%	83.9%	90.0%	68.6%	22.8%	66.0%
Non-Qualifying	3.8%	18.8%	16.1%	10.0%	31.4%	77.2%	34.0%
TOTAL PERCENTAGE	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
TOTAL NUMBER OF APPLICANTS	752,766	386,052	327,891	540,348	411,415	1,008,032	3,426,504
NUMBER OF QUALIFIED APPLICANTS	724,011	313,371	275,211	437,411	282,360	229,984	2,262,348

How many corrected/amended applications are received? Which data items are most often corrected/amended?

In addition to the normal process of applying for a Basic Grant, the process of students submitting corrected/amended applications is also a major component of the Basic Grant application processing system. Of the more than 2.7 million students who applied for a Basic Grant as of October, 1976 approximately 17 percent, or about 462,000, applicants submitted at least one correction that involved data fields integral to the calculation of eligibility indices (including duplicate applications). Corrections are of three types: (1) solicited corrections are those submitted in response to edit comments questioning particular data fields on the SER returned to the student; (2) unsolicited corrections are those changing data fields not addressed by comments; and (3) combinations of the two are mixed corrections. A comprehensive breakdown of those various subgroups of applicants is shown in Exhibit E.2.

As Exhibit E.2 clearly demonstrates, applicants actually using the corrections process represent a relatively small proportion of the total applicant population (17%). It should be remembered, though, that while the proportion of all applicants submitting corrections is small, the actual number of such applicants is sufficiently large to have considerable impact on the amount of monies disbursed by the Basic Grant program. This is particularly so in that of the more than 2,242,000 million applicants who did not submit corrections, over 37 percent were ineligible to receive Basic Grants (835,187). On the other hand, only 10 percent of those submitting corrections were ineligible on their SER of record (45,620). Therefore, if one considers only the eligible Basic Grant population, those submitting corrections represent almost 23 percent of this group.

EXHIBIT E.2: DISTRIBUTION OF TYPES OF CORRECTIONS



*Includes applicants who submitted corrections to non-critical data fields.

The relative frequency of corrections to particular data items is given in Table E.6.

TABLE E.6: MOST COMMONLY CORRECTED SER DATA FIELDS

Data Field	Frequency of Correction* %
family members in postsecondary schools	15.6
adjusted gross income	15.0
veteran's benefits	12.6
household size	10.8
all others	46.0

* Relative to all corrections examined

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These figures refer to the frequency of corrections to SER data fields regardless of the number of applications involved. That is, the total of 895,081 "cases" indicated in this table actually refers to corrections and not to individual applicants.

No one particular data field appears to predominate as a target for corrections. However, those which are more often corrected than others include number of family members in postsecondary schools (15.6% of all corrections), veterans benefits (12.6% of all corrections) and size of household (10.8% of all corrections).

If consideration is made as to whether corrections were solicited or unsolicited, a shift occurs in data fields of interest. For solicited corrections, the most often corrected fields include number of family members in postsecondary schools (26.5%), adjusted gross income (18.9%), size of household (12.6%), adjusted gross income (12.8%), and dependency status (12.4%).

Despite the fact that corrections to other data fields occur relatively less frequently, in certain cases, unsolicted corrections predominate. For example, unsolicited corrections account for 99.4 percent of all changes to the Social Security benefits data field, 88.5 percent of all changes to the medical, dental, casualty, and theft losses data field, 82.9 percent of all "taxes paid" changes, and 63.7 percent of all non-taxable income changes.

Table E.7 examines the frequency of exclusive corrections to specific data fields. Exclusive corrections refer to corrections to individual SER data fields that are unaccompanied by changes to other fields. Therefore, counts of corrections actually entail a count of individual applications. These data indicate that of the 293,142 application records considered, more than 72 percent evidenced multiple corrections. This means that very few corrections were made to one data field only. However, it should be pointed out that non-taxable income stands out as the most likely field to receive exclusive correction.

TABLE E.7: FREQUENCY OF EXCLUSIVE CORRECTIONS TO CRITICAL SER DATA FIELDS

Data Fields	Proportion of All Corrections Cases* %
AGI Changes Only	4.9
Non-Taxable Income	8.7
Household Size Only	3.7
Other Exclusive Corrections	10.0
Mixed Corrections	72.7

APPENDIX F

STUDENT NEED-ANALYSIS SYSTEMS

What need-analysis systems are currently in use for each of the Basic Grant and Campus-Based programs?

The Basic Grant and Campus-Based programs are need-based programs; that is, the financial assistance to students under these programs is based on the financial need, defined as the difference between the total educational cost and the expected total financial capability including parental contribution and other resources. Both student eligibility and the amount of aid to be received depend upon the contributions that families can be expected to provide, and the cost of education in the chosen institutions. The determination of family contribution and total educational costs, therefore, becomes an important operational aspect of these programs.

The determination of parental contribution is an important and complex task. Currently, there are 12 OE approved need-analysis systems providing services.[1/] The basic function of these systems is to calculate the expected parental contribution for Basic Grant and Campus-Based programs.

Of these systems, ACT, CSS and BEOG are the primary need-analysis systems recognized nationally for the administration of financial aid resources. The other systems vary little from the practices of ACT, CSS and BEOG. Therefore, future discussion of need-analysis systems will concentrate on the procedures of these need-analysis systems.

[1/] (1) The Income Tax System (for dependent student only), (2) the method of calculating expected family contributions used in BEOG, (3) the system published by the College Scholarship Service, (4) the system published by the American College Testing Program, (5) the system published by the Graduate and Professional Student Financial Aid Service, (6) the system used by Financial Analysis Service, Inc., a division of Donely, Richardson and Associates, (7) the system published by Student Assistance Financial Evaluation, a program of Information and Communications, Inc., (8) the system published by Student Aid Management, a program of Education Methods, Inc., (9) the system published by the Illinois State Scholarship Commission, (10) the system published by Functional Solutions, Inc., (11) the system published by Monroe, The Calculator Co., and (12) the system published by J.S. Jones and Associates.

How do CSS, ACT and BEOG need-analysis systems differ in terms of computational procedures, variables involved, application processes, and reporting for the 1978-79 processing year?

Prior to the adoption of the Uniform Methodology developed during 1974-75 by the Need Analysis Committee of the National Task Force on Student Aid programs, it was most difficult to compare and contrast the need-analysis indices computed because of the differing economic base, theories, and procedures used by the respective systems. Although there are still some differences, the need-analysis systems now try to evaluate families in a consistent and equitable manner in deriving estimates of expected parental contributions. Thus, since there is less variation between the need-analysis systems, the impact on student eligibility for aid associated with the choice of a system (and the amount of aid eventually received) has been reduced.

The systems share a number of essential assumptions regarding need-analysis theory. The systems assume that the family has the primary responsibility in financing the direct costs to the student for higher education. In evaluating the family's ability to contribute to educational costs, the systems direct themselves to evaluating each family against the same economic standards; and assume that available income beyond the basic maintenance of the family is, in part, available for educational purposes. All three systems use a progressive taxation rate on income available to the family beyond standard maintenance costs. Also, CSS, ACT and BEOG now all derive family-size allowances using the Bureau of Labor Statistics (BLS) low-budget standards. ACT and CSS have directed themselves to arriving at similar results for similar financial situations through changes in their need-analysis procedures and changes in their income taxation rates. BEOG utilizes a different algorithm for computing an expected parental contribution which produces an estimate which is substantially different from the one at which the national need-analysis services arrive.

All three systems have in common the inclusion in their computation of such basic variables as family size, income, assets, dependent children in postsecondary education, and extraordinary expenses. ACT and CSS's computational procedures exhibit slight differences, while BEOG varies quite dramatically. The subsequent discussion will point out some of the differences that exist between the systems for families with similar financial circumstances. In order to have some basis for comparing ACT, CSS and BEOG, the basic parts of each system are reviewed below with brief comments.

CSS

Documents/Processing

Exhibit F.1 presents a step-by-step description of the CSS central need analysis service. Parents complete a Parents' Confidential Statement (PCS) (and a business/ farm supplement, if appropriate) and send it to a CSS processing center. After the PCS is reviewed and edited, an Acknowledgement is sent to the parents. A Correction Stub, which allows parents to correct any inaccurate code numbers are part of the Acknowledgement. The Acknowledgement also affords an opportunity for institutions and agencies to communicate with students regarding aid program requirements or application procedures. When the information on the PCS is incomplete or inconsistent, a Supplementary Information Request (SIR) form is sent to the parents requesting the necessary information. When the information is judged to be complete, it is coded into the CSS need analysis program and a computation of parental contribution and estimated need is produced on the Financial Need Analysis Report (FNAR). Institutions of the applicant's choice receive a copy of the PCS as well as the FNAR.

ACT

Documents/Processing

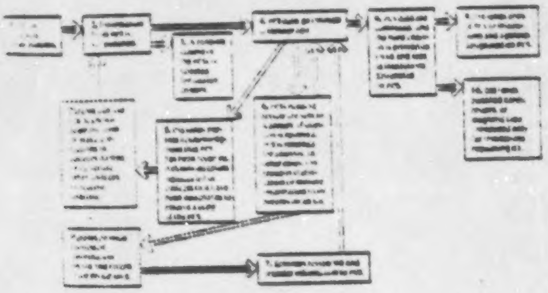
The student and parents complete the materials in the FFS packet and mail them to ACT for processing. On the Family Financial Statement (FFS), the student and family report biographical and financial information that will be used in determining the family's ability to pay for postsecondary education. On the Student Data Form (SDF), the student reports additional information that may be useful to aid administrators in determining eligibility for financial aid. ACT sends the student and parents a Student Financial Aid Report (SFAR) containing all the information submitted on the FFS. Messages written by the institution or agency aid administrators are relayed to the student, as well as communications from ACT. The student can use the SFAR to update or correct any information. At the same time, the SFAR is sent to the student, ACT sends the aid administrator a Comprehensive Financial Aid Report (CFAR) and a copy of the Student Data Form (SDF). The aid administrator then reviews the information provided on the CFAR and makes a final assessment of the student's financial need. The SFAR does not include the financial need analysis computation. Exhibit F.2 gives a diagrammatic summary of this process.)

BEOG

Documents/Processing

The student and parents fill out either a Basic Grant, CSS, ACT or PHEA (Pennsylvania Higher Education) application. If an ACT, CSS or PHEA application is used, it is sent to the appropriate need-analysis service. The need-analysis service then forwards it on to ACT. The BEOG application is sent directly to ACT. Thus, ACT processes all Basic Grant applications. After the application has been processed the student receives a Student Eligibility Report (SER) in triplicate. If there is any incorrect, inconsistent or missing information, ACT will return the SER to the student with a comment explaining how to correct and resubmit the report. Once the student receives a SER, he/she takes it to the financial aid office at the institution he/she wants to attend. The financial aid officer will then determine the amount of aid the student will receive based on the Student Eligibility Index (SEI) which is printed on the SER. ACT, in the meantime, produces a roster of applicants and submits it to institutions listing the students' SEI. This is used mostly to alert institutions of potential recipients.

Exhibit F.1: Steps in Processing the PCS



	CSS	ACT	BEOG
Income Base Year	CSS uses current year income information in the determination of the expected parental contribution. Current income is defined as income for the calendar year immediately prior to the academic year for which financial assistance is being requested.	ACT uses the income information from the tax year immediately preceding the year in which aid will be received for determination of the expected parental contribution.	BEOG uses for parental income the amount reported on the previous year's Federal Income Tax Return. It also requests that the income earned through employment by the mother and father be reported separately.
Income/Asset Relationship	CSS assumes that income and assets combined produce the most complete index of a family's financial strength and therefore its ability to contribute toward educational expenses. Discretionary net worth in the CSS system is the value of assets after allowing for retirement, indebtedness, and other purposes. It is from the discretionary net worth of the family that the additional financial strength generated by assets is measured. Twelve percent of discretionary net worth is assumed by CSS to be converted to an annual supplementary income flow. Adjusted available income, then, is the available income plus the income supplement from discretionary net worth. AAI reflects the economic strength of the family resulting from a combination of its income and assets. Contribution toward educational expenses is derived from this amount.	ACT assumes that the family's total financial situation must be analyzed to determine financial strength. The Uniform Methodology recognizes that all family assets are not available for the payment of post-secondary educational costs (exceptions include emergencies and retirement). The remaining assets, called Discretionary Net Worth, are converted to an income flow called the Income Supplement. The Income Supplement is then added to the Available Income and the result is called the Adjusted Available Income (AAI). It is the AAI which provides the Total Parents' Contribution through the application of the AAI Taxation Rates.	Since there are limited Federal student financial aid funds available for distribution, BEOG, like ACT and CSS, considers all resources that may be available to students. Therefore, in evaluating the applicant's family's financial situation, all aspects that contribute to a family's financial strength (income, assets, unusual expenses) are considered.

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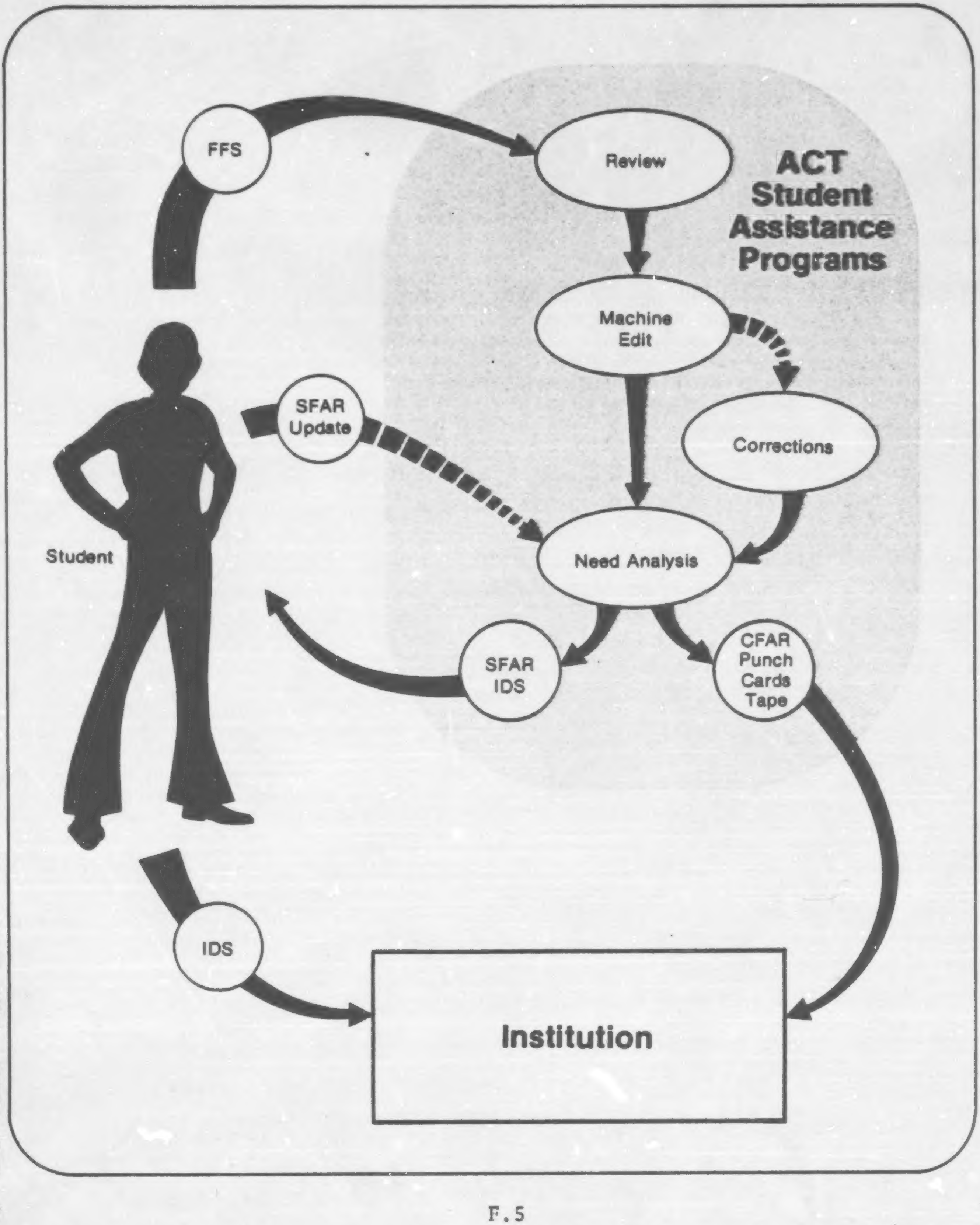
EXHIBIT F.2: SUMMARY OF ACT STUDENT ASSISTANCE PROGRAM


FFS
Review
ACT Student Assistance Programs
Machine Edit
SFAR Update
Corrections
Student
Need Analysis
SFAR IDS
CFAR Punch Cards Tape
IDS
Institution

CSS

Income

CSS requests total income including both taxable (wages, salaries, tips, dividends, interest, net profits from farm/business and other income such as inheritances, alimony, etc.) and non-taxable (welfare benefits, Social Security benefits, etc.) income from both parents. From this figure, unreimbursed business expenses (allowable as tax deductions) are subtracted to determine adjustments to total income. The Available Income available to the family for basic maintenance (food, housing, child support, etc.) is then determined by subtracting Federal and state income tax paid from the Net Income as well as certain other unusual or nondiscretionary expenses. The following allowances are made for these latter types of expenditures:

1. Allowance for working spouse: In a situation where both parents work, an allowance is made on the lesser income and is 50% of the first $2,000 of earnings and 25% of the earnings over $2,000 (up to a maximum allowance of $1500).

2. Allowance for medical/dental expenses: The allowance is made for uninsured medical/dental expenses in excess of 3% of the family's total income.

3. Allowances for emergency expenses: Allowances are made for expenditures beyond the control of the family - such as fire, flood, death, theft, etc. The allowances are identical to those allowed in the U.S. income tax returns.

ACT

Income

The Adjusted Gross Income as reported on IRS forms is added to other income (such as parents Social Security, welfare payments, untaxed capital gains, etc.) if any, to get the family's Total Income for the year. From this amount, ACT deducts allowances. These are similar to those allowed for CSS. Allowances are subtracted from Total Income, yielding Available Income. The calculation of Available Income reflects not only the family's income (see Exhibit F.3), but also family size and unusual expenses. This yields a sensitive and accurate analysis of a family's discretionary income.

Exhibit F.3: Calculation of Available Income

Calculation of Available Income

Adjusted Gross Income (AGI)
+ Other Income

= Total Income
− Federal Income Tax
− Social Security Tax (5.85% of first $13,300 on each income)
− State and Other Taxes
− Medical/Dental Expenses
− Casualty/Theft Losses
− Housekeeping Allowance (if appropriate)
− Minimum Standard Allowance

= AVAILABLE INCOME

BEOG

Income

The Adjusted Gross Income as reported on the IRS forms is added to other income (such as income from tax-exempt bonds, tax-free pensions, Social Security payments, welfare benefits, capital gains, one-half of veteran's educational benefits, etc.). Thus, annual adjusted income is the sum of parents' adjusted gross income plus non-taxable income plus one-half of veteran's educational benefits. From this amount, the amount of Federal Income Tax paid on income received during the base year is deducted to arrive at the Effective Family Income. The Effective Family Income is the base used for calculating expected parental contribution.

From this amount a family size offset is subtracted (this is equivalent to ACT and CSS's minimum standard allowance) for basic subsistence expenses.

The Basic Grant Program is also required, by law, to take into consideration two kinds of unusual expenses: those arising from a "catastrophe" and "unusual medical expenses." BEOG has adopted the IRS definitions of medical and dental expenses and casualty loss in determining "unusual expenses."

Where both parents work or for the single parent household, an allowance is made. This employment expense offset provides that 50 percent of the earnings of that person with the lesser income or 50 percent of the earnings of the single parent, will be protected from any contribution toward education. The maximum offset is $1,500.

CSS

4. Minimum Standard Allowance. The minimum standard allowance (MSA) is made to provide for the basic expenses of maintaining all household members (excluding the student for the 9 months on which the need analysis is based) at the BCS's lower standard of living.

Total allowances are then subtracted from total income to derive the parents' available income.

Assets

CSS first determines the net value of the family assets, defined as the fair market value of the assets minus related indebtedness. The assets requested on the PCS include residence equity, other real estate equity, investments (stocks, bonds, and other securities), cash, savings, and bank accounts, and adjusted business or farm net worth.

Against total assets the CSS makes an allowance for outstanding debts.

After debts outstanding have been subtracted from the family's total assets, the remainder represents the family's net worth. There is a zero "net worth" entry in cases where the debts outstanding equal or exceed total assets.

The income supplement, given the family's net worth and the primary working parent's age, may be determined by subtracting an appropriate "asset protection allowance (see Table F.1) from net worth to produce "discretionary net worth."

Table F.1: CSS Asset

Age	Two-Parent Family	One-Parent Family
44 or less	$10,220	$12,070
45-49	11,730	14,360
50-54	13,390	17,000
55-59	15,670	20,110
60-64	[illegible]	[illegible]
65 or more	24,300	[illegible]

* For 1978-79 processing year.

ACT

Assets

The ACT Need Analysis System recognizes that Parents' Contribution for education will be affected by their asset situation as well as by the size of their Available Income. ACT assumes that when assets are available, parents will contribute more to education, due to their increased financial strength. When both the income and the asset situations are unfavorable, compensation is made through the Asset Protection Allowance and the consequent negative Income Supplement to insure the equitable treatment of that family in comparison to those with a favorable asset situation.

The calculation of the Income Supplement is done as follows:

1. The net value of parents' personal assets is totaled. These include savings, cash, checking account balances, home equity, value of other real estate, and investments.

2. The net worth of business and farm assets is determined.

3. The parents' Unusual Debts are subtracted.

4. The Asset Protection Allowance (retirement allowance) is subtracted. (See Table F.2)

5. The result is Discretionary Net Worth.

6. The appropriate Asset Conversion Rate (Table F.3) is applied to determine the Income Supplement. It is assumed that this "increment" is the increased strength (or weakness) due to the cost situation.

BEOG

Allowances are also made for the cost of tuition and fees incurred during the base year by families that have dependent children enrolled in private elementary, junior, and senior high schools.

Total allowances are deducted from Effective Family Income in order to determine Discretionary Income.

Assets

The following types of assets are considered: equity in home, other real estate, stocks, bonds, savings accounts, etc. Debts against the stated assets are subtracted. Adjustments are made for business or farm net worth.

In order to determine the amount of parental assets which can be considered in determining a contribution for educational purposes, an asset reserve of $17,000 (for 1978-79) is subtracted from the net assets of the parents. This asset reserve is allowed for emergencies and retirement needs. The $17,000 asset reserve is subtracted from net assets to arrive at available parental assets. A 5 percent assessment rate is then applied to the available parental assets.

If the family's income is less than the sum of the various offsets against income, the amount of the negative discretionary income of the family is deducted from any contribution from parental assets as calculated above.

Standard Income Contribution Rate

If the Discretionary Income is a positive amount, a standard contribution from income can be derived. A contribution of 20 percent is expected from the first $5,000 of discretionary income. When discretionary income exceeds $5,000, the expected income contribution is $1,000 plus 30 percent of the amount in excess of $5,000. The contribution rates are generally at the 20 percent level for most of the income ranges where Basic Grant eligibility occurs.

CSS

If the family has assets remaining after provision of the asset protection allowance, 12 percent of the discretionary net worth is considered available as income supplement. If the family assets are not sufficient to provide for the asset protection allowance but the family's available income is $4,280 or more, it is presumed that the parents are able to make provision for retirement reserves out of their current income. In these cases, a conversion percentage of zero is used, producing a neutral (zero) income supplement. However, if the parents' assets are insufficient for retirement needs and the family's available income is $4,279 or less, this fact is recognized through the use of a coefficient of 6 percent which produces a negative income supplement. These conversion percentages are given in Table F.4.

If the parents' age is not given in the PCS, the CSS assumes age 45.

Table F.4

CSS Conversion Percentage of Discretionary Net Worth*

Discretionary Net Worth	Available Income	Conversion Percentage
$0 or greater	any amount	12%
Less than $0	$4,280 or greater	0
Less than $0	$4,279 or less	6%

*For 1977-78 processing year.

Parental Contribution

The parents' total contribution is determined using the adjusted available income from Table F.6.

The amount designated as "total parents' contribution is the measure of the parents' ability to contribute to postsecondary educational expenses for one family member only. If more than one member of the household is attending a postsecondary institution at least half time an adjustment is made to accommodate this added financial obligation.

ACT

Table F.2

ACT Asset Protection Allowance*

Age of Main Family Wage Earner	Allowance
40 or less	$ 9,360
41-45	11,110
46-50	13,080
51-55	15,450
56-60	18,890
61-64	22,880
65 or over	24,300

*For 1978-79 processing year.

Table F.3

ACT Asset Conversion Rate*

If Discretionary Net Worth is:	and Available Income is:	Asset Rate is:
$0 or greater	any amount	.12
Less than $0	$4,440 or more	0
Less than $0	$4,439 or less	.06

*For 1978-79 processing year.

Parental Contribution

To derive the total parents' contribution the income supplement is added to available income to arrive at adjusted available income. The adjusted available income taxation rates are then applied to adjusted available income. (See Table F.5.)

Table F.5

ACT AAI Taxation Rate*

If Adjusted Available Income (AAI) is:	Total Parents' Contribution is:
$ -3,410 or less	$ -750
$ - 3,409 to $4,440	22%
$ 4,441 to $5,360	$ 976 plus 25% of AAI over $4,440
$ 5,361 to $6,670	$1,206 plus 29% of AAI over $5,360
$ 6,671 to $7,780	$1,577 plus 34% of AAI over $6,670
$7,781 to $8,890	$1,954 plus 40% of AAI over $7,780
$8,891 or more	$2,394 plus 47% of AAI over $8,890

*For 1978-79 processing year.

BEOG

Parental Contribution

Family income component is added to parental asset component to find expected parental contribution. An adjustment is made to this amount for those families with more than one dependent enrolled in postsecondary education during the 1978-79 award period. The multiple sibling rate is as follows: 70 percent for 2, 50 percent for 3, and 40 percent for 4 or more.

CSS

Table F.9

CSS Total Parents' Contribution From Adjusted Available Income*

Adjusted Available Income	Taxation Rate
$ 1-$4,440	22%
4,441- 5,360	$ 977 plus 25% of AAI over $4,440
5,361- 6,670	1,206 plus 29% of AAI over 5,360
6,671- 7,790	1,577 plus 34% of AAI over 6,670
7,791- 8,900	1,954 plus 40% of AAI over 7,790
8,901 or more	2,398 plus 47% of AAI over 8,900

*For 1978-79 processing year.

Total Family Contribution

The total family contribution is figured by adding the parents' contribution, the student's assets, benefit contributions, and an allowance for summer savings.

Source: CSS Need Analysis: Theory and Computation Procedures for the 1977-1978 PCS and FAF, (New York, 1976)

ACT

The result is the Parents' Contribution for education. Finally, the Parents' contribution is multiplied by the Multiple Sibling Rate (60% for 2, 45% for 3 and 35% for 4 or more) to obtain the Total Parents' Contribution for the particular applicant.

Total Family Contribution

The student is also expected to contribute toward postsecondary education costs. Because the student's major objective is furthering his or her education, a portion of the student's assets is considered available for meeting educational expenses. In addition to assets, student resources such as summer savings and Social Security and G.I. benefits are considered available for education.

The parents' and student's contributions are then added together to determine the total family contribution.

Source: ACT Handbook for Financial Aid Administrators, 1976-77.

BEOG

Total Family Contribution

The total family contribution is found by adding the parents' contribution plus one-third of the student's assets. The resulting figure is the Student Eligibility Index. If the SEI is 1600 or less, a student is eligible for a Basic Grant on the basis of financial need.

Source: Determination of Eligibility Index: Basic Educational Opportunity Grant Program, 1978-79.

A careful examination of the preceding review of the three most widely used national need-analysis systems, CSS, ACT, and BEOG, reveals that with the adoption of the Uniform Methodology the differences between the systems have been minimized. At this time, the greatest difference between the three systems appears to be in the documentation and processing procedures. The only other difference revealed was the Asset Protection Allowance used by each system. Not only does CSS differentiate between one- and two-parent families in calculating the allowance, it also provides (at most head of household age levels) for a smaller allowance. The result of this would be a higher total family contribution, thus lowering the amount of aid received by the applicant. Other than this discrepancy between the systems, ACT and CSS seem to calculate the expected family contribution using similar rate schedules, thereby reducing the advantage in using one need-analysis system over the other.

BEOG, on the other hand, utilizes quite different taxation schedules for assets, standard maintenance allowance and available income. Whereas ACT and CSS have a graduated asset protection allowance based on the head of household's age, for the 1978-79 processing year BEOG applied a straight 5 percent taxation rate to all assets in excess of $17,000. Also, BEOG utilized a direct taxation rate to available income whereas ACT and CSS considered available assets and availaBle income before applying a graduated taxation rate. Furthermore, BEOG allows for a lower standard maintenance allowance than ACT and CSS which has the effect of substantially increasing the amount of available income which can be used for figuring expected parental contribution.

For prototype students, what are the expected family contributions calculated by ACT, CSS and BEOG?

In general, the expected parental contribution toward educational expenses generated by the Uniform Methodology are derived from the interaction of income, unusual circumstances, asset holdings, and rates of expected contribution toward educational expenses. The Keppel Task Force developed rates to approximate the expected parental contribution used by the national services, ACT and CSS. The Task Force expected that adjustments would have to be made periodically to reflect changes in the economy. ACT, CSS, and BEOG have made similar changes in their taxation rates over the years in calculating expected parental contributions. Table F.7 illustrates the expected parental contributions utilizing the need-analysis system formulas and procedures. A second BEOG column has also been included in the table to illustrate what would have happened if the expected parental contributions for the 1978-79 processing year had been set at 10.5 percent income taxation rate (approved for 1979-80) as in Public Law 95-566.

Basic to any system for measuring parental ability to pay for the costs of attendance at postsecondary educational institutions is

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TABLE F.7: COMPARISON OF PARENTAL CONTRIBUTION ESTIMATES[1] FOR DEPENDENT STUDENTS WITH ONE CHILD IN POSTSECONDARY SCHOOL

Income	Available Income [2]	Assets	Parent's Age	Parental Contribution [3] Estimates					
				ACT		CSS		BEOG	
				One Parent	Two Parents	One Parent	Two Parents	One Parent	Two Parents
$ 6,000	$4,500 Minus S.M.A. [4]	$12,000	42	$ 23.	$ 23.	$ 0.	$ 47.	$ 80.	$ 0.
			56	0.	0.	0.	0.	80.	0.
		$24,000	42	340.	340.	299.	364.	430.	0.
			56	135.	135.	103.	194.	430.	0.
$15,000	$11,250 Minus S.M.A.	$30,000	42	2261.	1797.	2186.	1833.	2295.	2040.
			56	1898.	1495.	1848.	1572.	2295.	2040.
		$60,000	42	3929.	3350.	3841.	3401.	3795.	3540.
			56	3490.	2912.	3421.	3037.	3795.	3540.
	$7,500 Minus S.M.A.	$30,000	42	1065.	785.	1018.	808.	1330.	1160.
			56	850.	579.	818.	638.	1330.	1160.
		$60,000	42	2201.	1746.	2126.	1782.	2800.	2660.
			56	1847.	1451.	1797.	1528.	2800.	2660.
$25,000	$18,750 Minus S.M.A.	$50,000	42	6890.	6312.	6802.	6362.	5545.	5290.
			56	6451.	5873.	6382.	5998.	5545.	5290.
		$100,000	42	9710.	9132.	9622.	9182.	8045.	7790.
			56	9271.	8693.	9202.	8818.	8045.	7790.
	$12,500 Minus S.M.A.	$50,000	42	3952.	3374.	3864.	3424.	3670.	3415.
			56	3513.	2935.	3445.	3061.	3670.	3415.
		$100,000	42	6772.	6194.	6684.	6244.	6170.	5915.
			56	6333.	5755.	6265.	5881.	6170.	5915.

[1] For 1978-79 processing year.

[2] Adjusted for federal and state income taxes paid, social security tax paid, medical/dental expenses, casualty/theft losses, housekeeping allowance, and standard maintenance allowance.

[3] The computations are for 2 or 3 person families, i.e., one or two parents with one child who is in postsecondary school.

FAMILY SIZE ALLOWANCE[4]

FAMILY SIZE	STANDARD MAINTENANCE ALLOWANCE (SMA)	
	ACT/CSS	BEOG
2	$ 4970.	$ 4100.
3	6200.	4950.
4	7650.	6300.
5	9030.	7400.
6	10560.	8400.
7	11760.	9300.
8	12960.	10300.

BEOG	
One Parent	Two Parents
$ 42.	$ 0.
42.	0.
392.	0.
392.	0.
1400.	1311.
1400.	1311.
2900.	2811.
2900.	2811.
1007.	918.
1007.	918.
2507.	2418.
2507.	2418.
3188.	3099.
3188.	3099.
5688.	5599.
5688.	5599.
2532.	2443.
2532.	2443.
5032.	4943.
5032.	4943.

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[5] These estimates of expected parental contribution have been computed to demonstrate what parents would have been expected to pay towards their child's postsecondary education costs in 1978-79 if the 10.5 percent income taxation rate proposed for the 1979-80 academic year had been in effect at that time. The asset reserve ($17,000) and standard maintenance allowance used were those in effect for the 1978-79 processing year. Thus, this part of the table is a projection model.

the special provision that can or should be made in its procedures for families that have more than one child in simultaneous attendance. Table F.8 presents the adjustments that are made to the Total Parents' Contribution to account for this eventuality.

TABLE F.8: MULTIPLE STUDENTS CALCULATION RATE

Number In Postsecondary Education	Calculation Rate	
	ACT/CSS	BEOG
1	100%	100%
2	60%	70%
3	45%	50%
4 or more	35%	40%

Thus, aside from the differences pointed out between ACT and CSS in response to the preceding question, i.e., asset taxation rates and procedures by which input data are edited for entry into the computation system, the method of calculating expected parental contribution toward postsecondary educational expenses will yield similar results for the CSS and ACT need-analysis systems as well as the Keppel Task Force proposed need-analysis system. However, when CSS/ACT are compared to the BEOG expected parental contribution a greater discrepancy between the need-analysis services' approaches is revealed. Generally, if the applicant is from a low or middle income family, it would be to his/her advantage to use CSS or ACT. This is especially true if the parent's age is 50 or more. However, if the applicant's family's income is in the upper middle income bracket ($25,000), BEOG gives the lowest expected parental contribution figure for those parents with a reasonably high available income. At around $7,000 adjusted available income this trend becomes less predictable.

Although ACT, CSS, and BEOG allow for similar deductions, the taxation schedules applied to the various components (i.e., assets, standard maintenance allowance, and available income) vary. Whereas ACT and CSS have a graduated asset protection allowance based on the head of household's age, BEOG applies a straight 5 percent taxation rate to all assets in excess of $17,000. BEOG, also, utilizes a direct taxation rate to available income (i.e., 20% of $5,000 or if available income exceeds $5,000 it is $1,000 + 30% of any amount over $5,000). ACT and CSS add available assets (income supplement) to available income to arrive at an adjusted available income figure which is then taxed at a graduated rate. Furthermore, BEOG allows for a lower standard maintenance allowance than ACT and CSS which has the impact of substantially raising the amount of available income which can be used for figuring expected parental contribution. Thus, because of the discrepancies between the need-analysis services it would be to an applicant's advantage to work out each services algorithm to arrive at the lowest figure.

To arrive at a figure for the expected family contribution, all the need-analysis systems take into consideration student's assets and other resources such as summer savings and Social Security and G.I. benefits. The student's and parent's contributions are then added together to determine the total family contribution.

APPENDIX G

USOE GUIDELINES FOR STUDENT BUDGETS

USOE GUIDELINES FOR STUDENT BUDGETS

The information in this section refers only to the guidelines established by USOE for determining students' budgets. Data regarding the procedures used by institutions to determine students' budgets will be derived from the survey of institutions.

What factors are taken into account in establishing guidelines to determine students' budgets?

Guidelines for student budgets for the Basic Grant program were established on the basis of national statistical data or average costs as well as a policy determination set by the Assistant Secretary of Planning and Evaluation, HEW, of what is in keeping with the goals of the program; the primary goal being the provision of grants to undergraduate students of exceptional financial need. For example, there are no provisions for student transportation as this is included in the off-campus housing allowance.

Guidelines for student budgets for the Campus-Based programs are based largely on national averages and on studies conducted by the major need analysis services (i.e., CSS) which provide standardized cost figures. The guidelines for determining student budgets under these programs cover tuition and fees, books and supplies, as well as personal expenses and transportation. Maximum allowances are set for items such as personal expenses and transportation. Other allowances vary according to a school's educational costs and reasonable living expenses for a geographic locale. There is no variation in the budgets among the different Campus-Based programs since they are all need based (i.e., the same budget is used for all of the Campus-Based programs).

Who participated in establishing the guidelines for determining students' budgets?

Basic Grant Program

- Director of the Division of Basic Grants
- HEW Assistant Secretary of Planning and Evaluation
- Policy and Analysis Branch Chief
- Basic Grant Analysts

Campus-Based Programs

- Division of Policy and Program Development
- Division of Program Operations

APPENDIX H

PROCEDURES FOR ENSURING COMPLIANCE WITH REGULATIONS

PROCEDURES FOR ENSURING COMPLIANCE WITH REGULATIONS

What procedures does OE employ to ensure compliance with program regulations?

The primary vehicle for ensuring that compliance with program regulations is taking place is the program review. If there appears to be an intent on the part of an institution to defraud the government, the case is referred by the Division of Certification and Program Review (DCPR) to the Division of Compliance. The Division of Compliance is responsible for the identification and investigation of fraud and abuse. In general, cases are said to go from "pending," proposed for field investigation; through "open," under field investigation; to "closed," turned over for litigation or otherwise closed.

Cases are usually begun by receiving a lead from sources such as the Veteran's Administration, student complaint letters, tips from field investigators, U.S. Attorney Offices, the FBI, the HEW Inspector General's Office of Investigation, and the Division of Certification and Program Review.

The Tracking and Support Branch of the Division of Compliance studies the case to see if it warrants action. The Branch does the analysis, determines whether the intent to defraud exists, and decides whether the investigation should be pursued. The analysis is based on the allegation as well as information obtained from the Office of Education. It includes examining records and gathering data from other agencies (such as the Veteran's Administration) with respect to any problems they have encountered with the school under investigation. Finally, a document stating what appears to be wrong is prepared.

The decision to "open" a case is made in conjunction with the DCPR and the Problem School Committee. It has been proposed that the DCPR do a program review before the decision to open a compliance case is made in order to avoid opening cases where only administrative problems exist. If the Tracking and Support Branch decides that a case should be pursued, it is turned over to the Investigation Branch of the Division of Compliance.

The entire Tracking and Support Branch (approximately 68 people nationwide) are involved in these investigations. It is a full-time, on-going activity.

How are instances of non-compliance corrected?

When a case is opened, all the material relating to the case is sent from the Tracking and Support Branch to the Investigations Branch of the Division of Compliance. Then, the Central Office assigns it a case number, establishes a reporting date, and sends it to the appropriate Regional Administrator. The Regional Administrator then assigns it to a Regional Investigator.

Thirty days later, a narrative report and any supporting documents are submitted from the Regional Investigator to the Regional Administrator and then forwarded to OE Central. Reports and supporting documentation continue to be sent every thirty days until the case is closed. After the case is closed, a final report is submitted.

Just because a case is closed for compliance purposes, it does not necessarily mean that the investigation has been terminated. If probable criminal violations are found, they take precedence and the case is turned over to the Office of Investigation of the HEW Inspector General. The Inspector General's Office may work with or refer the case to the FBI. The Investigation Branch may stay on the case to provide the FBI or the Inspector General's Office with programmatic assistance. If the problem is an administrative one, it is referred to the Division of Certification and Program Review. If it is a civil case, the Investigations Branch first tries to make a recovery of funds through a negotiated settlement. However, the Branch can request limitation, suspension, or termination action or can request a hold on claims payment. If litigation is required in a civil case, the case is referred to the Civil Division of the Department of Justice.

Normally, it takes 30 to 45 days to settle a case. The number of persons assigned to a case varies according to the manpower available as well as the complexity of the case.

Which regulations are checked the most often for compliance? Which are rarely checked?

The Program Review Branch of the Division of Certification and Program Review is involved in the conduct of program reviews. Program reviews cover all regulations. Regulations are difficult, complex, and change at least yearly, which poses a problem. Multi-year reviews, i.e., reviews which cover more than one year, pose an acute problem in that the reviewer must take into account regulations, both approved and proposed, for those years under consideration.

How are schools selected to check for compliance? Does this vary by type of institution?

A "Program Review Priority Determination Factor System" (Attachment A) was established in April, 1978 to determine which institutions should be reviewed first. It is a computerized system using 17 criteria, each of which are weighted, with values ranging from 2 to 5. Those schools with the highest values are selected first. Thus, there is no variation by type of school.

A list of these schools is given to the appropriate Regional Office to conduct program reviews. Eighty percent of the reviews done by the Region must include these schools while the remaining 20 percent is at the Region's discretion.

ATTACHMENT A

PROGRAM REVIEW PRIORITY DETERMINATION FACTORS

ATTACHMENT A

PROGRAM REVIEW PRIORITY DETERMINATION FACTORS

Factor		Value
1.	Average BEOG scheduled award is 20% or more over mean for that type of institution	4
2.	Percentage of BEOG recipients 80% of total enrollment	3
3.	No BEOG recoveries for past year	4
4.	Non-response on June Progress Report	3
5.	Deobligated more than 20% of current BEOG authorization	2
6.	For 10% or more of recipients enrollment date is January 1 or later; BEOG expected disbursement = Scheduled Award	5
7.	Late or non-response on Fisc-Op report	2
8.	Poorly prepared Fisc-Op report	3
9.	Poorly prepared Tri-Partite application	3
10.	Non-response on NDSL Default Report (Form 574)	3
11.	NDSL default rate 31%	5
12.	Delinquent 207 (NDSL ICC) loan	4
13.	High GSL default rate	4
14.	Audit exceptions in SFA management	3 to 5
15.	Eligibility actions (terminations, etc.)	2 to 4
16.	5 or more student complaints received	3
17.	Delinquent Higher Education Facilities Loan	2
18.	Referral from FBI, OI, HEWAA, Regions, and Division of Compliance	4

APPENDIX I

ALLOCATION OF AID TO INSTITUTIONS

ALLOCATION OF AID TO INSTITUTIONS

What procedures are used to transfer funds between the Federal government and the institutions?

Under the cash request system, each month the institution forecasts its cash needs in all of the programs for the next month by means of a DFAFS report No. 1522-4 (see Exhibit I.1). The original copy of the report is forwarded to DFAFS by the 20th of the month preceding the month in which the cash is needed. If the form reaches DFAFS by the 25th, a Treasury Check is generally received by the institution within the first few days of the month.

Each time an award of authorization letter is received by the institution, a copy of that letter is sent to DFAFS. The sum of these letters represents the total cash an institution may withdraw and each is analogous to a deposit in its DFAFS account. Although cash may be requested up to the amount of these letters this does not mean that the cash is available for use in any program. Rather, institutions are constrained by the specific authorizations awarded under each of the programs, as well as by the calendar period in which such funds may be spent.

The use of a single request form to cover all programs adds flexibility and minimizes the cash balances an institution must maintain in order to meet its expenditures under the programs. In other words, institutions may estimate their monthly expenditures by program more conservatively with the knowledge that an underestimation of cash needed in one may be compensated by an overestimation in another. Minimizing cash balances of institutions results in considerable savings to the government in interest charges incurred and is the prime purpose of the system.

Most institutions choose to open two accounts for their Federal funds: (1) DFAFS account, and (2) NDSL fund. The DFAFS account maintains all program expenditures and receipt of funds for SEOG, CWS, BEOG, as well as the receipt of NDSL fund cash until matched

EXHIBIT I.1: DFAFS REPORT NO. 1522-4

FORM APPROVED
O.M.B. No. 68-R1125

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
PUBLIC HEALTH SERVICE
NATIONAL INSTITUTES OF HEALTH

RECIPIENT'S MONTHLY CASH REQUEST

RECIPIENT'S CRS-EIN

DATE

TO:

National Institutes of Health
Federal Assistance Financing Branch, OFM
Westwood Building, Room 426
Bethesda, Maryland 20014

FROM:

RECIPIENT INSTITUTION (Name, Street Address, City, State and Zip Code)

The following represents cash requirements to cover anticipated disbursements for DHEW programs funded under the DHEW Federal Assistance Financing System for the month of ____________________, 19___.

1. Anticipated Cash Disbursements	$
2. Estimated Cash Balance on Hand at End of Current Month	$
3. Cash Advance Requested (Item 1 less Item 2)	$

REMARKS:

SIGNATURE:

NAME

TITLE

AREA CODE - TELEPHONE NO.

NIH-1522-4
Rev. 1-75

☆ U.S. GPO: 1975—884-489/152

and deposited in the fund. Because the NDSL fund is revolving and receives collection funds as well as Federal and institutional money, most institutions have found it helpful to open a separate account. Regulations require that institutions notify the bank that Federal funds are kept in a given account. This can be done either by a letter to the bank, or by including in the name of the account the words "Federal Funds".

What would be the likely costs to OE of moving the announcement of award levels forward one month? Two months? More?

For the determination of award allocations for the 1979-80 academic year OE is converting to a fully computerized processing system. It is anticipated that the award levels will be announced in March, two months earlier than in previous years, and at no additional cost. Whatever cost increase there is for developing and utilizing the computer system is likely to be offset by the elimination of costs associated with the manual review of applications by the regional offices, which was the procedure used in the past.

How are letters of credit established? What regulations govern their establishment?

The letter of credit system is available only to institutions with annual programs in excess of $120,000. Under this system the recipient submits payment vouchers through its local commercial bank to a Federal Reserve Bank for deposit of cash in the recipient's local bank account. Use of letters of credit are covered by a clause in the financing agreement whereby the recipient organization commits itself to (a) initiating cash draw-downs only when actually needed for its disbursements; (b) timely reporting of cash disbursements and balances as required by the Federal program agency, and (c) the imposition of the same standards of timing and amount upon any secondary recipient organizations including the furnishing of reports of cash disbursements and balances, with the understanding that failure to adhere to these provisions may cause the unobligated portion of the letter of credit to be revoked by the Federal program agency or by the Department of the Treasury.

APPENDIX J

NDSL PROCEDURES

NDSL PROCEDURES

What are the regulations and procedures for granting deferments and cancellations of NDSL? What is done to verify the grounds for deferment or cancellation?

DEFERMENTS

Student Status, Military, Peace Corps, VISTA

Installments of principal do not have to be paid and interest does not accrue on a loan during any period:

- in which the borrower is carrying at least a half-time course of study at an institution of higher education in a State or at a comparable institution outside the States approved by the Commissioner.
- not in excess of three years during which the borrower is a member of the Armed Forces of the United States, or is in service as a volunteer under the Peace Corps Act, or is a VISTA volunteer under Title I - Part A of the Domestic Service Act of 1973. These periods are not included in determining the ten-year repayment period.

These deferments are available to both defense loan and direct loan borrowers. Additionally, for defense loans only, an institution may, at its option, provide that repayment installments may be deferred during any period or periods not in excess of three years while the borrower is enrolled at an institution of higher education for less than half-time study taking courses which are creditable toward a degree. The institution may also provide that any such period will not be included in determining the ten-year period in which the repayment must be completed, but interest shall continue to accrue during any such period.

Special Extensions

Special extensions are made if students who have borrowed from a fund, due to extraordinary circumstances such as illness or unemployment, are unable to meet their scheduled repayments when due. In these instances, the institution may revise their repayment schedules. Where such revision would involve an extension of the repayment period beyond the ten-year period, the Commissioner must be notified in the case of Defense Loans (loans approved prior to July 1, 1972). In the case of Direct Loans (loans approved subsequent to July 1, 1972), such action extending the ten-year period must have prior approval of the Commissioner. Regardless of the length of the deferment, interest continues to accrue for the loan.

Verification of the Deferment

Borrowers claiming eligible student status are responsible for submitting their requests for deferment to the lending institution on a properly completed form, "Request for Deferment of Repayment Because of Armed Force, Student, Peace Corps, or VISTA status." This certification form is submitted when the first repayment installment is due following the borrower's entering into eligible status. This certification form must be filed at least annually for as long as the deferment is claimed. Furthermore, the borrower should report any change of status immediately to the lending institution.

It is the responsibility of the institution to approve or disapprove and file the deferment forms after making appropriate notations on its records. If the request for deferment is based upon enrollment in a foreign institution of higher education, the name and location of the latter is submitted to the OE Regional Office or the Program Development Branch for approval as a comparable institution outside the States.

In approving such deferments, the institution must ensure that the appropriate form is properly completed, indicating:

- in the case of student status, the period of at least half-time enrollment of the borrower and certified by the registrar of the institution as an eligible institution of higher education; and
- in the case of Military, Peace Corps, or VISTA status that the period of service is properly indicated and properly certified by an official of the respective organization authorized to so certify and must further ensure that no more than three years of such service is deferred.

A borrower who receives loan cancellation for a year of military service shall also be deemed to have used one year of his/her entitlement to deferment for military service.

CANCELLATION

The National Defense/Direct Student Loan Program provides for cancellation of loans in six categories: teaching, Head Start, military, death, disability, and bankruptcy. Eligibility for cancellation benefits varies in accordance with the dates of the loan as several amendments have been made regarding cancellations. The Education Amendments of 1972 discontinued for Direct Loans certain provisions which applied to Defense Loans.

Defense Loans (Prior to July 1, 1972)

Teacher Cancellations

- A borrower is entitled to have up to 50 percent of any loan plus the interest accrued cancelled for services as a full-time teacher in (1) a public or other non-profit elementary or secondary school in a State, (2) an institution of higher education, or (3) an elementary or secondary school overseas of the Armed Services of the United States, at the rate of 10 percent of the total amount of such loans plus the interest for each complete academic year or its equivalent of teaching service.
- A borrower is entitled to have the entire amount of any loan plus the interest cancelled for services as a full-time teacher in a public or other non-profit elementary or secondary school in which there is a high concentration of students from low income families which is designated by the Commissioner after consultation with the State educational agency of the State at the rate of 15 percent of the total amount of the loan plus the interest for each complete academic year or its equivalent of teaching service. Cancellation is only available for teaching service beginning with the 1966-67 academic year.
- A borrower is entitled to have the entire amount of any loan plus interest for service as a full-time teacher of handicapped children in a public or other non-profit elementary or secondary school system at the rate of 15 percent of the total amount of such

loans plus the interest for each complete academic year or its equivalent of teaching service. Such cancellation is available for teaching service commencing with the 1967-68 academic year.

Military Cancellation

A borrower is entitled to have up to 50 percent of any loan made after April 13, 1970 but before July 1, 1972 plus the interest thereon cancelled for services after June 30, 1970 as a member of the Armed Forces of the United States at the rate of 12½ percent of the total amount of such loans plus the interest thereon for each year of consecutive service as a member of the Armed Forces.

Death

Any loan plus the interest is cancelled on the death of the borrower.

Permanent and Total Disability

Any loan and the interest on it is cancelled if the borrower becomes permanently and totally disabled after receiving the loan.

Bankruptcy

A loan is cancelled upon receipt of an official notice of discharge of bankruptcy from the bankruptcy court.

Direct Loans (After June 30, 1972)

Teacher Cancellation

- A borrower is entitled to have the entire amount of any loan plus the interest cancelled for services as a full-time teacher in a public or other non-profit elementary or secondary school in which there is a high concentration of students from low income families as may be designated by the Commissioner after consultation with the State educational agency of the State.
- A borrower is entitled to have his/her entire loan cancelled for service as a full-time teacher of handicapped children in a public or other non-profit elementary or secondary school system.
- The rates of cancellation for teachers in low income schools and for teachers of the handicapped are as follows (rates apply to percentage of total amounts of

loans plus interest on it; each year must be a complete academic year or its equivalent):

First year - 15%
Second year - 15%
Third year - 20%
Fourth year - 20%
Fifth year - 30%

- There is no provision for cancellation of Direct Loans for teaching service in higher education nor teaching in elementary or secondary schools other than teaching in low income schools or teachers of the handicapped.

Military Cancellation

A borrower is entitled to have up to 50 percent of any loan plus interest made after June 30, 1972 cancelled for services as a member of the Armed Forces of the United States in an area that qualifies for special pay under Section 310 of Title 37 of the U.S. Code at the rate of 12½ percent of the total amount of such loan plus the interest for each year of qualifying service.

Death

Upon the death of a borrower any loan plus the interest made under this part is cancelled.

Permanent and Total Disability

Any loan and the interest is cancelled if the borrower becomes permanently and totally disabled after receiving the loan.

Head Start

A borrower whose loan was made after June 30, 1972 is entitled to have the entire amount of such loan plus the interest on it cancelled for services as a full-time staff member in a pre-school program carried out under Section 222(a)(1) of the Economic Opportunity Act of 1964 (Head Start) if that program is operated for a period which is comparable to a full school year in the locality, provided, however, that the borrower's salary as a full-time staff member is not more than the salary of a comparable employee of the local educational agency in the area served by the pre-school program. These loans are cancelled at the rate of 15 percent of the total amount of the loan plus the interest for each complete school year or its equivalent of such service.

Bankruptcy

A loan shall be cancelled upon receipt of an official notice of discharge of bankruptcy from the bankruptcy court.

Responsibility for Determining Cancellation Benefits

Responsibility of the Institution

The responsibility for determining whether or not borrowers are entitled to have any portion of their loans cancelled is made by the institution to whose Fund these loans are payable upon receipt and approval of an application for cancellation from a borrower, to be provided in a form specified by the institution. This responsibility cannot be delegated.

Forms and Documentation Required

Teacher Cancellation

- Borrower must file a "Request for Partial Cancellation of Loan Due to Teaching Service."
- Request form must be signed by an authorized official in the school system certifying the teaching service.
- Before granting teacher cancellation benefits at an accelerated rate for Defense Loans or Direct Loans, the institution must ensure that the school at which the teaching service was performed appears on the list of schools approved by the Commissioner and appearing in the Federal Register for teaching service during the academic year in which the borrower taught. Because the statutory conditions governing the compilation of these lists vary between Defense Loans and Direct Loans, it is possible for a particular school to be an eligible school for accelerated cancellations for Defense Loans only, Direct Loans only, or both, for a particular academic year.

Military Service

- Borrower must file a "Request for Partial Cancellation of Loan for Military Service."
- The request form must be signed by the Commanding Officer certifying the dates of service and whether or not the borrower qualifies for special pay under Section 310 of Title 37, United States Code.

Death

The institution must secure a copy of the death certificate or other proof as is conclusive under State law.

Disability

- Medical evidence must be supplied by the borrower or his/her representative including statements from all doctors, hospitals, or agencies concerned with the case.
- Recommendation of the lending institution subject to the approval of the Commissioner.

Bankruptcy

Official notice of discharge of bankruptcy from the bankruptcy court.

Reimbursement by the Commissioner of Amounts Cancelled

Defense Loans

With respect to loans made prior to July 1, 1972, the Commissioner reimburses each institution each award period for loss of principal and interest during that award period resulting from cancellations for teaching or military service. The reimbursement is for an amount which bears the same ratio to the interest which has been prevented from accruing and the portion of the principal which has been cancelled as the total amount of the institution's capital contributions to its Fund bears to the sum of the institution's capital contributions and the Federal capital contributions to this Fund (usually 10 percent). Reimbursements to the institution for amounts cancelled on Defense Loans do not have to be deposited in the Fund and may be used at the discretion of the institution. No reimbursement is made to the institution for cancellations due to death, disability, or bankruptcy.

Direct Loans

On loans made after June 30, 1972, the Commissioner pays each institution for deposit into its Fund, for each award period, an amount equal to the amount of principal and interest which has been cancelled from its student loan fund for teaching, military, or Head Start service. All reimbursements to the institution by the Commissioner for cancellations under Direct Loans must be deposited in the institution's National Direct Student Loan Fund. No reimbursement is made to the institution for cancellations due to death, disability, or bankruptcy.

By institution type-student type pair, how many loans and how many dollars of loans have been cancelled since the program's inception? How many loans have been deferred?

This information is not available at this time. The interviewee indicated that OE hoped to collect this information in the near future.

How much does it cost OE to process and verify NDSL loan cancellations and deferments?

No information is available on the cost to OE. Most of the processing of cancellations and deferments is done by the institution, and, therefore, it would incur the cost.

By institution type, what percentage of NDSL recipients is classified as being delinquent in their repayment? What is the total dollar amount of NDSL delinquent accounts?

Table J.1 presents the status of NDSL defaults as of June 30, 1977 by type and control of institutions. Examination of the table reveals that two-year public and area-vocational schools have the highest default rates. Also, public institutions have a higher default rate (17.4%) than private institutions (15.7%). This slight difference takes on greater significance when consideration is given to the number of students in default for the two categories of control (approximately 430,000 for public compared to 259,000 for private institutions). The total dollar amount of NDSL delinquent accounts is approximately $600 million on loans involving over 700,000 students. This represents a default rate approaching 20 percent of the principal amount of all matured NDSL loans.[1]

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[1] Letter to the President dated March 20, 1978 from Joseph A. Califano, Jr., Secretary of Health, Education, and Welfare.

STATUS OF DEFAULTS AS OF JUNE 30, 1978

TYPE AND CONTROL OF INSTITUTIONS

TYPE AND CONTROL	NO. OF SCHOOLS	NO. OF STUDENTS IN DEFAULT	PRINCIPAL OUTSTANDING IN DEFAULT	MATURED PRINCIPAL	DEFAULT RATE[1]
PUBLIC	1,055	429,708	$321,650,204	$1,846,669,555	17.42%
UNIVERSITY	350	264,503	$229,914,937	$1,458,083,344	15.77%
OTHER FOUR YEAR	164	66,130	$ 45,287,191	$ 249,249,837	18.17%
TWO YEAR	507	96,576	$ 45,202,594	$ 135,393,638	33.39%
AREA-VOCATIONAL	34	2,499	$ 1,245,482	$ 3,942,736	31.59%
PRIVATE	1,216	259,070	$241,878,165	$1,542,357,894	15.68%
UNIVERSITY	356	107,079	$118,361,596	$ 819,863,129	14.44%
OTHER FOUR YEAR	683	131,220	$112,401,212	$ 674,397,186	16.67%
TWO YEAR	177	20,771	$ 11,115,357	$ 48,097,579	23.11%
PROPRIETARY	748	24,503	$ 18,067,239	$ 61,347,139	29.45%
TOTAL	3,019	713,281	$581,595,608	$3,450,374,588	16.86%

Source: Data obtained from the 1977 Fiscal Operations Report.

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[1] The National Direct Student Loan Program Default Rate is calculated by dividing the "remaining principal amount which has neither been paid nor cancelled on all notes in default" by the "total amount of matured paper." The "remaining principal amount which has neither been paid nor cancelled on all notes in default" means the total principal amount which has neither been paid nor cancelled on all notes where the borrowers failed to make an installment payment when due, and that failure persisted and was not cured either by payment or other appropriate arrangements for 120 days in the case of loans repayable in monthly installments, or for 180 days in the case of loans repayable in less frequent installments.

The "total amount of matured paper" means the total amount lent which has reached repayment status. The total amount which has reached repayment status is the total amount lent minus the amount not repayment status because the borrower is in student status either at the institution which made the loan or another institution, or the borrower is in the grace period.